GUIDANCE NOTE ON DIVISION III - SCHEDULE III TO THE COMPANIES ACT, 2013 FOR NBFC THAT IS REQUIRED TO COMPLY WITH IND AS

(Revised January, 2022 Edition)

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

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ON
DIVISION III - SCHEDULE III
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Corporate Laws & Corporate Governance Committee
INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
New Delhi

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Foreword to the Second Edition

Division-III to the Schedule III to the Companies Act, 2013 was first notified by the Ministry of Corporate Affairs (MCA) in October, 2018 for the Non-Banking Financial Companies (NBFCs) that are required to comply with the Indian Accounting Standards (Ind AS) and therefore, the Institute of Chartered Accountants of India (ICAI) through its Corporate Laws & Corporate Governance Committee (CL&CGC) brought out the Guidance Note on Division-III to the Schedule III to the Companies Act, 2013 in the year 2019 to assist the members in discharging their duties and responsibilities more effectively and efficiently.

In the year 2021, the MCA has revised Division-III to Schedule III to incorporate several additional disclosure requirements vide its notification dated 24th March 2021; thereby necessitating the need to revise the aforementioned Guidance Note earlier issued by ICAI in 2019.

Major amendments that have been introduced in Division-III relate to disclosure of Ageing Schedule of Trade Payables, Trade Receivables, Capital work in progress (CWIP) and Intangible Assets under developments, disclosure of shareholding of Promoters, Ratios, Undisclosed Income, Crypto Currency, and Wilful Defaulters.

In light of the same, the CL&CGC of ICAI has decided to revise the earlier edition of the Guidance Note to incorporate the guidance on additional and significant matters introduced vide recent amendments.

I heartily congratulate Corporate Laws & Corporate Governance Committee of ICAI to for taking this initiative and coming up with the Revised Edition of Guidance Note on Division-III to Schedule III to the Companies Act, 2013.

I compliment CA. Shriniwas Y. Joshi, Chairman, Corporate Laws & Corporate Governance Committee, CA. Anuj Goyal, Vice-Chairman and all the members of the Corporate Laws & Corporate Governance Committee who have made invaluable contribution in the revision of this Guidance Note.

I am sure that the members and other stakeholders at large would find the Guidance Note immensely useful.

CA. Nihar N. Jambusaria
President, ICAI

Date: 21-01-2022

New Delhi

Preface to the Second Edition

In October, 2018 the Ministry of Corporate Affairs (MCA) has brought in substantial changes in the Schedule III to the Companies Act, 2013. The Division-III to Schedule III to the Companies Act, 2013 got notified pursuant to the applicability of Indian Accounting Standards (Ind AS) to Non-Banking Financial Companies (NBFCs) which fall under the prescribed criteria w.e.f. 01st April 2018.

Considerable changes have been brought in the Division III to Schedule III to the Companies Act, 2013 vide MCA Notification dated 24th March, 2021 which are aimed to improve the quality and reliability of financial statements. Certain new disclosure requirements have been added.

In this regard, a need was felt to provide guidance to professionals and other stakeholders in preparation of financial statements in line with the requirements of Schedule III to the Companies Act, 2013.

Therefore, the Corporate Laws & Corporate Governance Committee decided to revise the "Guidance Note on the Division-III to Schedule III to the Companies Act, 2013" as brought out by it earlier. The Revised Edition of the Guidance Note provides sufficient and appropriate guidance for the newly added disclosures.

We would like to convey our sincere gratitude to the President ICAI CA. Nihar N Jambusaria, and the Vice President ICAI CA. (Dr.) Debashis Mitra for supporting us in bringing out the publication.

We also wish to place on record our sincere thanks to all the Committee members & Special Invitees for their suggestions, support and guidance in finalizing this Guidance Note.

Our thanks to the Study Group members CA. Dhinal Shah, CA. Sandeep Shah, CA. Himanshu Kishnadwala, CA. Vijay Maniar, CA. Aniruddha Godbole, Shri Shriraj Bhandari, CA. Ritesh Goyal, CA. Pratik Haria, CA. Ankit Kaistha, CA. Sumit Seth, CA. Nayan C Ratanghayra, and CA. Sandeep Mishra for their contribution in Revising the Guidance Note.

We would also like to thank Shri Rakesh Sehgal, Director and CA. Sarika Singhal, Secretary to the Committee and team members Ms Seema Jangid and CA. Nikita Aggarwal for their technical and administrative support.

We sincerely believe that the members of the profession, industry & other stakeholders would find the publication immensely useful.

CA. Shriniwas Y Joshi
Chairman,
Corporate Laws & Corporate
Governance Committee

CA. Anuj Goyal
Vice Chairman,
Corporate Laws & Corporate
Governance Committee

Date: 20-01-2022

New Delhi

Foreword to the First Edition

The Ministry of Corporate Affairs (MCA) has earlier amended the formats for Division I and Division II to Schedule III to the Companies Act and has also notified the formats of Division III to Schedule III pertaining to Non-Banking Financial Companies (NBFCs) that are required to comply with Indian Accounting Standards (Ind AS).

The revised formats of Division III have brought changes with regard to the classification of trade payables, trade receivables and loan receivables. Also, with the amendments, there is change in the terminology of Schedule III to align it with Ind AS. As the Ind AS has become applicable on NBFCs that fall within the prescribed criteria w.e.f. 1st April, 2018, with the prescription of Division III to Schedule III, the presentation of the financial results will be in line with the Indian Accounting Standards.

In light of the changes to Division III to Schedule III, a need was felt by the Institute of Chartered Accountants of India (ICAI) for providing appropriate guidance to the members so that the requirements of Schedule III can be complied with by the NBFCs that are required to prepare their financial statements as per Ind AS in letter and spirit.

I am happy that the Corporate Laws & Corporate Governance Committee of ICAI has undertaken the task of preparing the Guidance Note on the Division III to Schedule III of the Companies Act, 2013 for necessary guidance of NBFCs and all others involved. Detailed notes have also been provided on various items of the Schedule III and issues and intricacies involved therein which will surely help the readers.

I commend the efforts of CA. (Dr.) Debashis Mitra, Chairman, CA. Chandrashekhar V. Chitale, Vice-Chairman and all the members of the Corporate Laws & Corporate Governance Committee who have made invaluable contribution in preparing this Guidance Note.

I am confident that the members and other stakeholders would find the Guidance Note immensely useful.

CA Prafulla P. Chhajed

President ICAI

Preface to the First Edition

The Institute of Chartered Accountants of India (ICAI) through the Corporate Laws & Corporate Governance Committee (CLCGC) had issued Guidance Notes on Division I and Division II to Schedule III to the Companies Act 2013 and the same were revised on the basis of amendments which were notified by the Ministry of Corporate Affairs vide Notification dated 11.10.2018.

In October, 2018, the Ministry of Corporate Affairs notified Division III to Schedule III to the Companies Act, 2013 which contained the format of Financial Statements as well as Disclosure Requirements for Non- Banking Financial Companies (NBFCs) that are required to comply with the Indian Accounting Standards (Ind AS).

In view of the above, CLCGC of ICAI decided to bring out a Guidance Note on Division III to Schedule III to the Companies Act 2013. The Note provides guidance on each of the items of the Balance Sheet & Statement of Profit and Loss. Few illustrations have also been included on application of the principles provided in the Guidance Note.

We would like to convey our sincere gratitude to the President of ICAI, CA. Prafulla P. Chhajed, and the Vice President ICAI, CA. Atul Kumar Gupta for supporting us in bringing out the publication. We are also thankful to all our Central Council Colleagues & other Members /Special Invitees of the Committee for their valuable inputs in giving shape to this Guidance Note.

Our special thanks to CA. Shriniwas Y. Joshi, Central Council Member and Convenor of the Study Group comprising of CA. Charanjit Attra, CA. Sandeep Shah, CA. Ritesh Goyal, Shri Avinash Chander, CA. Krishna Vyas and CA. Manan Lakhani for their sincere efforts in bringing out this Publication.

The Committee would like to acknowledge the valuable inputs received from the Nominees of Reserve Bank of India to the Study Group namely Shri P.K. Chophla, Shri Anuj Sharma and Shri Sandeep Parmar.

We would also like to thank Secretary to the Committee CA. Sarika Singhal and Ms Seema Jangid and CA. Deepa Agarwal for their technical and administrative support.

We trust that this Guidance Note would be very useful to the members of the Institute and others interested in the subject.

CA. (Dr.) Debashis Mitra
Chairman,
Corporate Laws &
Corporate Governance Committee

CA. Chandrashekhar V. Chitale
Vice- Chairman,
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1. Introduction

1.1 Schedule III to the Companies Act, 2013 ('the Act') was notified along with the Act itself on 29 August, 2013 thereby providing the manner in which every company registered under the Act shall prepare its Financial Statements. Financial Statements as defined under the Act include Balance Sheet, Statement of Changes in Equity for the period, the Statement of Profit and Loss for the period, Cash flow statement as applicable for the period and Notes.

1.2 Ministry of Corporate Affairs ('MCA') notified Indian Accounting Standards ('Ind AS') on 16 February, 2015 thereby laying down the initial roadmap for all companies, except insurance companies, banking companies and non-banking finance companies, for adoption of Ind AS ('MCA roadmap'). Further, MCA notified amendments to Schedule III to the Act on 6 April, 2016 whereby:

> **1.2.1** The original Schedule III was renamed as 'Division I' to Schedule III ('Non-Ind AS Schedule III') – which gives a format of Financial Statements for Non-Ind AS companies, that are required to comply with the Companies (Accounting Standards) Rules, 2006 (as amended from time to time). In other words, Non-Ind AS companies, will be required to prepare Financial Statements as per Companies (Accounting Standards) Rules, 2006 (as amended from time to time), as per the format of Division I to Schedule III to the Act.
>
> **1.2.2** 'Division II' - 'Ind AS Schedule III' was inserted to give a format of Financial Statements for companies that are required to comply with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time ('Companies Ind AS Rules'). This was newly inserted into Schedule III for companies that adopt Ind AS as per Rule 4(1)(i) or Rule 4(1)(ii) or Rule 4(1)(iii) of the Companies Ind AS Rules. Accordingly, such Companies, while preparing its first and subsequent Ind AS Financial Statements, would apply Division II to Ind AS Schedule III to the Act.

1.3 The MCA issued a notification dated 30 March, 2016 announcing the Ind AS roadmap for non-banking financial companies ('NBFC'). Further, MCA notified amendments to Schedule III to the Act on 11 October, 2018 whereby:

1.3.1 'Division III' to Schedule III' (Refer **Annexure A, Pg 138**) was inserted to give a format of Financial Statements for NBFC's that are required to comply with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time ('Companies Ind AS Rules'). As per the Companies Ind AS Rules, "Non-Banking Financial Company" means a Non-Banking Financial Company as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934 and includes Housing Finance Companies, Merchant Banking companies, Micro Finance Companies, Mutual Benefit Companies, Venture Capital Fund Companies, Stock Broker or Sub-Broker Companies, Nidhi Companies, Chit Companies, Securitisation and Reconstruction Companies, Mortgage Guarantee Companies, Pension Fund Companies, Asset Management Companies and Core Investment Companies.' Accordingly, NBFC's while preparing its first and subsequent Ind AS Financial Statements, would apply Division III to Schedule III to the Act.

1.4 It may, however, be clarified that for companies engaged in the generation or supply of electricity, neither the Electricity Act, 2003, nor the rules framed thereunder, prescribe any specific format for presentation of Financial Statements by an electricity company. Section 1(4) of the Act states that the Act will apply to electricity companies, to the extent it is not inconsistent with the provisions of the Electricity Act. Keeping this in view, Division III to Schedule III, Division I or Division II as applicable may be followed by such companies till the time any other format is prescribed by the relevant Statute.

2. Objective and Scope

2.1 The objective of this Guidance Note is to provide guidance in the preparation and presentation of Financial Statements in accordance with various aspects of Division III to Schedule III, for NBFC's adopting Ind AS. The disclosure requirements under Ind AS, the Companies Act, 2013, other pronouncements of the Institute of Chartered Accountants of India (ICAI), other Statutes, etc., would be in addition to the guidance provided in this Guidance Note. Paragraph 9 of Division III of Schedule III further states that where any Act, Regulation, Guidelines or Circulars issued by the relevant

Regulators from time to time requires specific disclosures to be made in the standalone financial statements of an NBFC, the said disclosures shall be made in addition to those required under this Schedule.

2.2 Guidance given in 'Guidance Note on Division I to the Schedule III to the Companies Act, 2013' published in February 2016 and revised in January 2022 would continue to be applied by Non-Ind AS companies which are required to prepare Financial Statements as per the format of Non-Ind AS Schedule III.

2.3 In preparing this Guidance Note, reference has been made to Ind AS notified under Section 133 of the Act read together with Paragraph 3 of the Companies Ind AS Rules given in **Annexure C** (**Pg 203)** and various other pronouncements of the ICAI. The primary focus of the Guidance Note is to lay down broad guidelines to deal with practical issues that may arise in the implementation of Division III to Schedule III while preparing Financial Statements as per Ind AS. The Guidance Note would primarily provide guidance on the line items contained in the Division III to the Schedule III rather than the specific issues which an NBFC may face.

2.4 This Guidance Note includes changes to presentation and disclosure requirements of Division III to Schedule III pursuant to Ind AS notified up to March 31, 2021.

2.5 As per the clarification issued by ICAI regarding the authority attached to the Documents issued by ICAI, 'Guidance Notes' are primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance Notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note relating to an auditing matter except where he is satisfied that in the circumstances of the case, it may not be necessary to do so. Similarly, while discharging his attest function, a member should examine whether the recommendations in a Guidance Note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.

3. Applicability

3.1 As per the Government Notification no. S.O. 902 (E) dated 26th March, 2014, Schedule III is applicable for the Financial Statements prepared for the financial year commencing on or after April 1, 2014. As per the Government Notification no. G.S.R. 404(E) dated April 6, 2016, Schedule III is amended to include a format of Financial Statements for a company preparing Financial Statements in compliance with the Companies Ind AS Rules. Further, as per the Government Notification no. G.S.R. 1022 (E) dated October 11, 2018, the Schedule III is amended to include a format of Financial Statements for an NBFC preparing Financial Statements in compliance with the Companies Ind AS Rules. Schedule III has been further amended vide the Government Notification dated 24th March, 2021 to include certain additional presentation and disclosures requirements and changes some existing requirements. These changes need to be applied in preparation of financial statements for the financial year commencing on or after 1st April, 2021. Every Non-Banking Financial company as defined in the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 to which Indian Accounting Standards apply, shall prepare its financial statements in accordance with this Schedule or with such modification as may be required under certain circumstances. Additionally, preparers of financial statements should also consider requirements of the Act as well as other Statutes, Notifications, Circulars issued by various Regulators. Division III to Schedule III requires that except in the case of the first Financial Statements laid before the company after incorporation, the corresponding amounts (i.e. comparatives) for the immediately preceding period are to be disclosed in the Financial Statements including the Notes to Accounts. Thus, for the Financial Statements prepared for the financial year 2018-19 (i.e. 1st April 2018 to 31st March 2019), corresponding amounts need to be given for the financial year 2017-18. As per Ind AS 101, a company's first Ind AS financial statements shall include at least three balance sheets, two statements of profit and loss, two statements of cash flows and two statements of changes in equity and related notes. This Guidance Note does not deal with the presentation aspects of reconciliations that are required to be provided as a part of a company's first Ind AS financial statements.

3.2 For applicability, in the first and subsequent years, of Division III to Schedule III format by a company to its interim Financial Statements (other than quarterly, half-yearly and annual financial results published as per SEBI guidelines), relevant paragraphs of *Ind AS 34 – Interim Financial Reporting* are quoted below:

"9. If an entity publishes a complete set of Financial Statements in its interim financial report, the form and content of those statements shall conform to the requirements of Ind AS 1 for a complete set of Financial Statements.

10. If an entity publishes a set of condensed Financial Statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual Financial Statements and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim Financial Statements misleading."

In case, a company is presenting condensed interim Financial Statements, its format should also conform to that used in the company's most recent annual Financial Statements, i.e., which would be as per Division III to Schedule III.

3.3 Listed entities shall follow guidelines issued by SEBI by way of circulars prescribing formats for publishing financial results (quarterly, half-yearly and annual) which are guided by the relevant provisions of the Ind AS and Division III to Schedule III and may make suitable modifications, as applicable.

4. Main principles – Summary of Division III to Schedule III

4.1 Every Non-Banking Financial company as defined in the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 to which Indian Accounting Standards apply, shall prepare its financial statements in accordance with this Schedule or with such modification as may be required under certain circumstances.

4.2 As per Paragraph 1 of Part III of Division III where a Non-Banking Financial Company (NBFC) is required to prepare Consolidated Financial Statements, i.e., consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of profit and loss, the NBFC shall mutatis mutandis follow the requirements of this Schedule as applicable to an NBFC in the preparation of balance sheet, statement of changes in equity and statement of profit and loss. However, where the consolidated financial statements contain elements pertaining to NBFCs and other than NBFCs, mixed basis of presentation may be followed for consolidated financial statements where both kinds of operations are significant.

4.3 Financial Statements include Balance Sheet, Statement of Changes in Equity for the period, Statement of Profit and Loss for the period and Notes. Cash Flow Statement shall be prepared in accordance with the requirements of the relevant Ind AS.

4.4 Balance sheet

- Division III provides a format of the balance sheet and sets out the minimum requirements of disclosure on the face of the balance sheet for NBFCs.
- Items presented in the balance sheet are to be classified as financial and non-financial.
- Division III follows the order of liquidity for presenting line items on the face of financial statements however, it provides flexibility to the Company in terms of changing the order of presentation of line items on the face of financial statements or changing the order of line items within the schedules in order of liquidity, if appropriate, considering the operations performed by the NBFC.
- It requires an NBFC to disclose such information that enables users of its financial statements to evaluate the NBFC's objectives, policies and processes for managing capital.

4.5 Statement of Profit and Loss

- The division provides a format of the statement of profit and loss and sets out the minimum requirements of disclosure on the face of the statement of profit and loss.
- Items comprising 'revenue from operations' and 'other comprehensive income' have to be disclosed on the face of the statement of profit and loss.

4.6 Statement of changes in equity

— The statement of changes in equity would reconcile opening to closing amounts for each component of equity including reserves and surplus and items of other comprehensive income. Also the changes in equity share capital due to prior period errors and the corresponding restated opening balance of equity share capital needs to be disclosed.

— NBFCs were earlier specifically required to disclose the statutory reserves as part of 'other equity' in the statement of changes in equity. The company shall continue the same practice of disclosing it separately as other reserves.

— Additionally, the conditions or restrictions for distribution attached to statutory reserves have to be separately disclosed in the notes as stipulated by the relevant statute.

The statement of changes in equity would require disclosure for the current reporting period as well as the previous reporting period.

4.7 Materiality

NBFCs are required to disclose all 'material' items in their financial statements i.e., the items if they could, individually or collectively, influence the economic decisions that users make on the bases of financial statements. Materiality depends on the size and nature of the item judged in particular circumstances. However, while preparing the statement of profit and loss, it specifies that an NBFC should disclose a note for any item of 'other income' or 'other expenditure' which exceeds 1 per cent of the total income, in addition to the consideration of materiality.

A General Instruction on 'Materiality' has been included in Note 7 to General Instructions for Preparation of Financial Statements and a revision made by Notification No. G.S.R. 463(E) dated 24th July 2020, requires Financial Statements to disclose items/ information that could, individually or collectively, influence the economic decisions that users make on the bases of the Financial Statements. Such influence arises from information being omitted, misstated or obscured (i.e. communicated in a way that has a similar effect of omitting or misstating it).Materiality depends on the size or nature of the item or a combination of both, to be judged based on particular facts and in particular circumstances. Moreover, Paragraph 29 of Ind AS 1 states w.r.t.

'materiality' that an entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law. Further, reference to Paragraph 29 to 31 of Ind AS 1 should be considered when determining materiality and aggregation.

The General Instructions for Preparation of Financial Statements also lay down the principle that in preparing Financial Statements including Notes, a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation. Compliance with this requirement is a matter of professional judgement and may vary on a case to case basis based on facts and circumstances. However, it is necessary to strike a balance between overburdening Financial Statements with excessive detail that may not assist users of Financial Statements and obscuring important information as a result of too much aggregation. For example, a company should not obscure important information by including it among a large amount of insignificant detail or in a way that it obscures important differences between individual transactions or associated risks.

4.8 As per Paragraph 60 of Ind AS 1, an entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet except if a presentation based on liquidity provides information that is reliable and more relevant. The format prescribed by Division III is currently a liquidity based format. Thus the assets and liabilities are classified as financial and non-financial instead of current, non-current classification as required by Division I and Division II to Schedule III.

However as per Paragraph 61 of Ind AS 1 whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item. Disclosure regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date shall be provided separately in the financial statements.

4.9 Division III to Schedule sets out the minimum requirements for disclosure on the face of the Financial Statements, i.e., Balance Sheet, Statement of Changes in Equity for the period, the Statement of profit and Loss for the period (The term 'Statement of Profit and Loss' has the same meaning as 'profit and loss Account) and Notes. Cash flow statement shall be prepared, where applicable, in accordance with the requirement of the relevant Indian Accounting Standard.. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the NBFC's financial position or performance or to cater to categories of NBFCs as prescribed by the relevant regulator or sector-specific disclosure requirements or when required for compliance with the amendments to the relevant statutes or under the Indian Accounting Standards. For e.g., line items required by Paragraph 54 and Paragraph 82 of Ind AS 1 should be included, as an addition to or substitution of the Division III to Schedule III line items on the face of Balance Sheet and Statement of Profit and Loss, respectively.

4.10 Disclosures required under Ind AS (for e.g., fair value measurement reconciliation, fair value hierarchy, risk management and capital management, disclosure of interests in other entities, components of other comprehensive income, reconciliations on first-time adoption of Ind AS, etc.) shall be made in the Notes or by way of additional statement(s) unless required to be disclosed on the face of the Financial Statements.

4.11 Where any Act, Regulation, Guidelines or Circulars issued by the relevant Regulators from time to time require specific disclosures to be made in the standalone and consolidated financial statements of an NBFC, the said disclosures shall be made in addition to those required under Division III to Schedule III.

4.12 Note 8 to General Instructions for Preparation of Financial Statements in Division III to Schedule III states that the terms used in Division III to Schedule III will carry the same meaning as defined by the applicable Ind AS. For example, the terms such as 'associate', 'related parties', etc. will have the same meaning as defined in Ind AS notified under the Companies Ind AS Rules.

4.13 For any terms which are not specifically defined in Ind AS, attention may also be drawn to the Conceptual Framework for Financial Reporting under Indian Accounting Standards ('Ind AS Framework') issued by ICAI. However, if any term is not defined in the Ind AS Framework, the entity may consider the principles described in paragraph 10 to paragraph 12 of Ind AS 8 for developing and applying an accounting policy.

4.14 An NBFC preparing financial statements as per this Schedule may change the order of presentation of line items on the face of financial statements or order of line items within the notes in order of liquidity, if appropriate, considering the operations performed by the NBFC.

5. Structure of Division III to Schedule III

The Structure of Division III to Schedule III is as under:

A. General Instructions for Preparation of Financial Statements of a Non-Banking Financial Company (NBFC) that is required to comply with Ind AS ('General Instructions for Preparation of Financial Statements')

B. Part I – Form of Balance Sheet and Statement of Changes in Equity

C. Part I Notes – General Instructions for Preparation of Balance Sheet

D. Part II – Form of Statement of Profit and Loss

E. Part II Notes – General Instructions for Preparation of Statement of Profit and Loss

F. Part III – General Instructions for the Preparation of Consolidated Financial Statements

6. General Instructions for Preparation of Financial Statements: Notes 1 to 10

6.1 The General Instructions lay down the broad principles and guidelines for preparation and presentation of Financial Statements.

6.2 As laid down in Part A of the Annexure to Companies Ind AS Rules, *Ind AS, which are specified, are intended to be in conformity with the provisions of applicable laws. However, if due to subsequent amendments in the law, a particular Ind AS is found to be not in conformity with law, the provisions of the said law will prevail and the Financial Statements should be prepared in conformity with such law.* In such a scenario, the statement of compliance with Ind AS should be considered in the light of the principle of overriding effect of law over Ind AS when applying the presentation or disclosure requirements of Division III to Schedule III.

6.3 Division III to Schedule III requires that if compliance with the requirements of the Act, Regulation, Guidelines or Circulars issued by the relevant Regulators from time to time including applicable Ind AS require any change in the presentation or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes in the Financial Statements or Notes to Accounts thereof, the same shall be made and the requirements of Division III to Schedule III shall stand modified accordingly.

6.4 Note 3 of the General Instructions for Preparation of Financial Statements state that the disclosure requirements of Division III to Schedule III are in addition to and not in substitution of the disclosure requirements specified in Ind AS. They further clarify that the disclosures specified in Ind AS shall be made in the Notes or by way of additional statement(s) unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Act shall be made in the Notes in addition to the requirements set out in this Schedule.

6.5 Examples to illustrate the above point are:

(a) Specific disclosure is required by Paragraph 33 of *Ind AS-105 Non-current Assets Held for Sale and Discontinued Operations* which has not been incorporated in Division III to Schedule III.

(b) *Ind AS-107 Financial Instruments: Disclosures*, which requires disclosure of information that enable users of the Financial Statements to evaluate the significance of financial instruments for its financial position and performance.

6.6 Disclosures required by Ind AS as well as by the Act will continue to be made in the Financial Statements and in the Notes to Accounts. An example of this is the separate disclosure required by Sub Section (3) of Section 182 of the Act for donations made to political parties. Such disclosures would be made in the Notes. An illustrative list of disclosures required under the Act is enclosed as **Annexure B (Pg 201).**

6.7 The above principle would apply to disclosures to be made in compliance with other regulatory requirements such as, disclosures required under Regulation 34 (including Schedule V) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; the statutory requirements by RBI such as Asset-Liability Management, Concentration of exposure, Asset Quality etc.; any additional disclosure requirements created by NHB directions issued by National Housing Bank and any pronouncements by ICAI etc.

6.8 Division III to Schedule III requires all information relating to each item on the face of the Balance Sheet and Statement of Profit and Loss to be cross-referenced to the Notes. The manner of such cross-referencing to various other information contained in the Financial Statements has been retained as "Note No." in Division III to Schedule III. The instructions state that the Notes to Accounts should provide where required with narrative descriptions or disaggregation of items recognized in those statements. Hence, presentation of all narrative descriptions and disaggregation should preferably be presented in the form of Notes rather than in the form of Schedules. Such style of presentation is also in line with the manner of presentation of Financial Statements followed by companies internationally and would facilitate comparability of Financial Statements.

6.9 Note 4 of the General Instructions for Preparation of Financial Statements also states that the Notes should also contain information about items that do not qualify for recognition in Financial Statements. These disclosures normally refer to items such as Contingent Liabilities and Commitments which do not get recognised in the Financial Statements. These have been dealt with in Paragraph 8.2.12 (Pg 51).

6.10 Division III to Schedule III requires using the same unit of measurement uniformly across the Financial Statements. Such requirement should be taken to imply that all figures disclosed in the Financial Statements including Notes should be of the same denomination, except where a different denomination may be required, say for ratios or metrics in order to increase its understandability.

6.11 Division III to Schedule III has specified the rounding off requirements, as given below:

Division III to Schedule III
• **Total Income < Rs. 100 Crores** - Round off to the nearest hundreds, thousands, lakhs or millions or decimal thereof. • **Total Income >= Rs. 100 Crores** - Round off to the nearest lakhs, millions or crores, or decimal thereof

6.12 A Note below Note 10 of the General Instructions for Preparation of Financial Statements clarifies that Division III to Schedule III sets out the minimum requirements for disclosure in the Financial Statements including notes. It states that line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to the understanding of the NBFC's financial position or performance or to cater to categories of NBFC's as prescribed by the relevant regulator or sector-specific disclosure requirements, apart from, when required for compliance with amendments to the relevant statutes or Ind AS.

7. Part I Notes: General Instructions for Preparation of Balance Sheet

7.1 Financial/ Non-financial assets and liabilities:

Division III to Schedule III requires all items in the Balance Sheet of an NBFC to be classified as either Financial or Non-financial and be reflected as such. Further Paragraph 54 of Ind AS 1 also specifies a requirement of presenting financial assets and liabilities as line items on the balance sheet separately from other items.

8. Part I – Form of Balance Sheet and Notes – General Instructions for Preparation of Balance Sheet: Notes 6 to 11

Framework for Conceptual Framework for Financial Reporting under Indian Accounting Standards' issued by ICAI (hereinafter referred to as Ind AS Framework) defines the terms asset, liability and equity which are as follows:

An asset is a present economic resource controlled by the entity as a result of past events.

An economic resource is a right that has the potential to produce economic benefits.

A liability is a present obligation of the entity to transfer an economic resource as a result of past events.

Equity is the residual interest in the assets of the entity after deducting all its liabilities.

8.1 Assets

On the face of the Balance Sheet, Division III to Schedule III requires the following items to be presented under financial assets and non-financial assets:

Financial assets

(a) Cash and cash equivalents

(b) Bank Balance other than included in (a) above

(c) Derivative financial instruments

(d) Receivables

(I) Trade Receivables

(II) Other Receivables

(e) Loans

(f) Investments

(g) Other Financial assets (to be specified)

Non-financial assets

(a) Inventories

(b) Current Tax Assets (Net)

(c) Deferred Tax Assets (Net)

(d) Investment Property

(e) Biological assets other than bearer plants

(f) Property, Plant and Equipment

(g) Capital work-in-progress

(h) Intangible assets under development

(i) Goodwill

(j) Other Intangible assets

(k) Other non-financial assets (to be specified)

Financial Assets

8.1.1. Cash and cash equivalents:

Cash and cash equivalents shall be classified as:

(a) Cash on hand;

(b) Balances with banks (of the nature of cash and cash equivalents);

(c) Cheques, drafts on hand; and

(d) Others (specify nature).

The term 'Cash and cash equivalents' is not defined in Division III to Schedule III. According to *Ind AS-7, Statement of Cash Flows*, Cash is defined to include cash on hand and demand deposits with banks. Cash Equivalents are defined as short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Ind AS 7 further explains that an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. This would include term deposits with banks that have an original maturity of three months or less. However, bank balances (including term deposits) held as margin money or security against borrowings are neither in the nature of demand deposits, nor readily available for use by the company, and accordingly, do not meet the aforesaid definition of cash equivalents.

Further, interest accrued on a fixed deposit is included in the carrying value of fixed deposit.

Generally, there should not be a difference in the amount of cash and cash equivalents as per Ind AS 1 and as per Ind AS 7. However, as per Paragraph 8 of Ind AS 7 "where bank overdrafts which are repayable on demand form an integral part of an entity's cash management, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn." Although Ind AS 7 permits bank overdrafts to be included as cash and cash equivalents, however for the purpose of presentation in the balance sheet, it is not appropriate to include bank overdraft as a component of cash and cash equivalents unless the offset conditions as given in paragraph 42 of Ind AS 32 are complied with. Bank overdraft, in the balance sheet, should be included as 'borrowings' under Financial Liabilities.

8.1.2. Bank Balances other than cash and cash equivalents

Bank balances other than cash and cash equivalents as above, i.e. having a maturity of more than three months shall be disclosed as Bank Balances other than cash and cash equivalents on the face of the Balance Sheet.

Further, Note (A) of General Instructions for Preparation of Balance Sheet requires the following disclosures with regard to Bank Balance other than cash and cash equivalents:

(a) Earmarked balances with banks (for e.g., for unpaid dividend) shall be separately stated;

(b) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately;

(c) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

The disclosure regarding 'bank balances other than cash and cash equivalents' should include items such as balances with banks held as margin money or security against borrowings, guarantees, etc.

8.1.3. Derivative Financial Instruments:

As per Appendix A of Ind AS 109, 'derivative' is defined as "*A financial instrument or other contract within the scope of the Standard with all three of the following characteristics:*

(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

(c) it is settled at a future date."

The following should be disclosed in the note for Derivative Financial Instruments:

An explanation should be given for the use of derivatives, how the risk is mitigated and for what purpose has the company entered into derivative contracts in accordance with Paragraphs 21A to 21F of Ind AS 107. Eg. to hedge its foreign currency risks, interest rate risks and equity price risks a company may enter into the following kinds of derivative contracts such as - interest rate swaps, cross-currency swaps, forward foreign exchange contracts, futures and options on interest rates, foreign currencies and equities etc.

A cross-reference to the financial risks section for management of risks arising from derivatives should be done. As per paragraphs 31 to 33 of Ind AS 107, an entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. Disclosures should explain what the financial risks are, how the entity manages the risks and why the entity enters into various derivative contracts to hedge the risks, i.e, Credit risk, liquidity risk, market risk and other risk.

Derivatives are measured at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the Notes to Accounts. Changes in the fair value of derivatives are included in net gain on fair value changes in the statement of profit and loss unless hedge accounting is applied.

Embedded derivative separated from host contract and accounted separately as per Ind AS 109 requirements should be disclosed under the relevant heading,

Part I below caters to disclosure of all derivative financial instruments held by the Company.

Part II below requires analysis of derivatives included in Part I above into different categories of hedge accounting specified in Ind AS 109 and risk management purposes.

The notional amounts, fair value – assets, and fair value – liabilities shall be disclosed for each category and sub-category of derivative financial instruments as:

1. Part I

(i) Currency Derivatives

— Spot and forwards

— Currency futures

— Currency swaps

— Options purchased

— Options sold (written)

— Others

Subtotal (i)

(ii) Interest Rate Derivatives

— Forward rate agreements and interest rate swaps

— Options purchased

— Options sold (written)

— Futures

— Others

Subtotal (ii)

(iii) Credit Derivatives

(iv) Equity Linked Derivatives

(v) Other Derivatives (Please specify)

Total Derivative financial instruments (i) + (ii) + (iii) + (iv) + (v)

2. Part II

Included in above (Part I) are derivatives held for hedging and risk management purposes as follows

(i) Fair value hedging

— Currency Derivatives

— Interest rate derivatives

— Credit derivatives

— Equity linked derivatives

— Others

Subtotal (i)

(ii) Cash flow hedging

— Currency Derivatives

— Interest rate derivatives

— Credit derivatives

— Equity linked derivatives

— Others

Subtotal (ii)

(iii) Net investment hedging

(iv) Undesignated derivatives

Total Derivative financial instruments (i) + (ii) + (iii) + (iv)

With respect to hedges and hedge accounting, NBFCs may provide a description in accordance with the requirements of Indian Accounting Standards, of how derivatives are used for hedging, explain types of hedges recognized for accounting purposes and their usage/ application by the entity.

8.1.4. Receivables:

Receivables are classified as 'Trade and Other Receivables'.

A receivable should be classified as 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business and the company has a right to an amount of consideration that is unconditional (i.e. if only the passage of time is required before payment of that consideration is due).

Other receivables would generally mean receivables emanating from items that are classified as 'others' under 'Revenue from Operations'. Other receivables shall also include debts due by directors or other officers of the NBFC or any of them either severally or jointly with any other person or debts due by firms including limited liability partnerships (LLPs), private companies respectively in which any director is a partner or a director or a member if the same is not in the nature of trade receivables, however, the same is required to be disclosed separately in the financial statements.

Refer Paragraph 8.1.7 (Pg 31) for items that may be classified as 'other financial assets'.

Receivables shall be sub-classified as:

(i) (a) Receivables considered good - Secured;

(b) Receivables considered good - Unsecured;

(c) Receivables which have significant increase in credit risk; and

(d) Receivables – credit impaired

(ii) Allowance for impairment loss shall be disclosed under the relevant heads separately.

(iii) Debts due by directors or other officers of the NBFC or any of them either severally or jointly with any other person or debts due by firms including limited liability partnerships (LLPs), private companies respectively in which any director is a partner or a director or a member should be separately stated.

Impairment of Trade Receivables

As per Ind AS 109, a company is required to recognize a loss allowance (i.e. impairment) for expected credit losses on financial assets including trade receivables.

The impairment requirements in Ind AS 109 are based on forward-looking expected credit loss (ECL) model which requires an application of one of the following:

(a) The general approach, where an entity recognises ECL in the following stages viz.,

- credit exposures for which there has not been a significant increase in credit risk since initial recognition;
- credit exposures for which there has been a significant increase in credit risk since initial recognition but not credit-impaired;
- credit exposures that are credit impaired;

(b) The simplified approach, where an entity does not separately track changes in credit risk.

(c) The purchased or originated credit-impaired approach.

For trade receivables that do not contain a significant financing component, it is a requirement to apply a simplified approach, while for trade receivables that contain a significant financing component, and for lease receivables, a choice between a general approach or simplified approach is available.

Application Guidance to Ind AS 109 allows using practical expedients when measuring expected credit losses if they are consistent with the measurement principles reflecting a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, for e.g., using a provision matrix based calculation of expected credit loss on trade receivables.

Disclosures under the general approach

If a company chooses to calculate impairment loss under the general approach for trade receivables containing significant financing component, then the disclosures representing the following different categories of Trade Receivables would be provided (amounts are illustrative only):

Trade Receivables

Particulars	Exposure	Loss Allowance	Net Amount
	Rs.	Rs.	Rs.
Considered good – Secured	--	--	--
Considered good – Unsecured*	1,25,000	13,000	1,12,000
Trade Receivables which have significant increase in credit risk	20,000	10,000	10,000
Trade Receivables – credit impaired	5,000	4,000	1,000
Total	**1,50,000**	**27,000**	**1,23,000**

** It is assumed for simplicity that all the Trade Receivables considered good are Unsecured.*

Similar table as mentioned above would be required for any debts due which are in the nature of trade receivables and where general approach has been used by the company for any debts due by any directors or other officers of the NBFC or any of them either severally or jointly with any other person or debts due by firms including limited liability partnerships (LLPs), private companies respectively in which any director is a partner or a director or a member

Except in case of purchased or originated credit-impaired trade receivables where a company only recognises cumulative changes in lifetime expected credit losses since initial recognition, the impairment loss allowance does not reduce the carrying amount of the trade receivables.

In disclosing 'Trade Receivables which have significant increase in credit risk', the company shall disclose the amount of trade receivables that have experienced significant increase in credit risk since initial recognition but are not credit-impaired.

In disclosing 'Trade Receivables – credit impaired', the company shall disclose the amount of trade receivables which are credit impaired as defined in Ind AS- 109 .

The balance amount of trade receivables which have neither experienced significant increase in credit risk nor are credit impaired as per Ind AS 109, shall be disclosed as 'good'.

For calculating the loss allowance, reference shall be drawn from Ind AS 109.

Disclosures under the simplified approach

If a company chooses to calculate impairment under the simplified approach for trade receivables containing significant financing component and for the impairment calculated on trade receivables that do not contain significant financing component, then the company is not required to separately track changes in credit risk of trade receivables as the impairment amount represents "lifetime" expected credit loss.

Accordingly, based on a harmonious reading of Ind AS 109 and the break-up requirements under Schedule III, the disclosures for all such trade receivables would be made as below, irrespective of whether they contain a significant financing component or not (amounts are illustrative only):

Trade Receivables

Particulars	Exposure	Loss Allowance	Net Amount
	Rs.	Rs.	Rs.
Considered Good – Secured	--	--	--
Considered Good – Unsecured*	2,00,000	25,000	1,75,000
Trade Receivables which have significant increase in credit risk	--	--	--
Trade Receivables – credit impaired	--	--	--
Total	**2,00,000**	**25,000**	**1,75,000**

** It is assumed for simplicity that all the Trade Receivables are Unsecured.*

Break-up of trade receivables into 'significant increase in credit risk' and 'credit impaired'

Ind AS 109 neither prohibits nor mandates a company to perform individual assessment of credit risk for some of its financial assets. If a company performs individual credit risk assessment on specific parties despite the normal collective pool-based assessment for a group of parties falling under a particular credit exposure bucket (e.g., ageing, rating, etc.) and if it indicates that a trade receivable has experienced a significant increase in credit risk or is credit impaired then disclosures to be provided are as under.

The disclosure of trade receivables in the manner as required by Schedule III shall be made specifically where the company has a trade receivable for which credit risk is assessed individually. However, the disclosure of 'trade receivables – credit impaired' shall be made if such a trade receivable meets the definition of 'credit impaired' as per Ind AS 109.

When a company has assessed credit risk on an individual basis irrespective of recognition of a loss allowance on collective basis, it is recommended that a company should disclose the following by way of a footnote just after the illustrative table given below:

- The amount of trade receivables for which the company has assessed credit risk on an individual basis; and
- The amount of loss allowance recognized for such trade receivables.

Trade Receivables

Particulars	Exposure	Loss Allowance	Net Amount
	Rs.	Rs.	Rs.
Considered Good – Secured	--	--	--
Considered Good – Unsecured*	1,50,000	25,000	1,25,000
Trade Receivables which have significant increase in credit risk	--	--	--
Trade Receivables – credit impaired	50,000	50,000	--
Total	**2,00,000**	**75,000**	**1,25,000**

*Where a company has performed credit assessment on an individual basis and the assessment indicates that the trade receivable has experienced significant increase in credit risk but is not credit impaired, in that case the exposure of such a trade receivable and its respective loss allowance would be shown as part of Considered good - Secured and Considered good – Unsecured as the case may be. This is because, in case of 'trade receivables' under the simplified approach, a company is not required to separately track the changes in credit risk and even if the company does individual assessment it will not be possible for a company to establish that there has been significant increase in credit risk. Hence, any exposure of trade receivables other than that which is credit impaired and the respective loss allowance will be shown as part of Considered Good – Secured / Unsecured as the case may be.

Similar tables as mentioned above would be required for any debts due by directors or other officers of the NBFC or any of them either severally or jointly with any other person or debts due by firms including limited liability partnerships (LLPs), private companies respectively in which any director is a partner or a director or a member.

Presentation of loss allowance

Except in case of purchased or originated credit-impaired trade receivables where a company only recognises cumulative changes in lifetime expected credit losses since initial recognition, the impairment loss allowance does not reduce the carrying amount of the trade receivables. Accordingly, the total expected credit loss allowance is presented as a deduction in a single line item from the total carrying amount of the trade receivables, as shown above.

The above disclosures are consistent with the requirements of Ind AS 109 and the requirements under Division III to Schedule III may be modified in the light of Paragraph 2 of 'General Instructions for Preparation of Financial Statements of a Company Required to comply with Ind AS' to Division III to Schedule III.

Impairment of Other Receivables

Similar disclosures as mentioned above under the general approach may be made for impairment of Other Receivables.

Ageing of Receivables

This disclosure requires the company to provide ageing of the trade receivables outstanding as on the balance sheet date and as per the prescribed format. However, in order to tie-up the amounts presented in the 'total' column with the amounts presented in the financial statements or notes, two additional columns with heading 'Unbilled' and the heading 'Not due' shall be added before the ageing columns to separately disclose the amount for unbilled receivables and the amount of trade receivables which are not due, respectively. An entity could have an unconditional right to consideration before it invoices its customers, in which case it records an unbilled receivable. For example, this could occur if an entity has satisfied its performance obligations but has not yet issued the invoice.

The amounts presented under disputed and undisputed categories for each category of credit profile should add up and match with the total amount presented in a separate disclosure for the same category of credit profile. For e.g., the amount of 'Undisputed Trade Receivables – considered good' and 'Disputed Trade Receivables – considered good' when added up should match with the added up amount of 'Trade Receivables considered good – Secured' and 'Trade Receivables considered good – Unsecured' provided as part of a separate disclosure.

The ageing of the trade receivables needs to be determined from the due date of the invoice. Due date is generally considered to be the date on which the payment of an invoice falls due. The due date of an invoice is determined based on terms agreed upon between the buyer and supplier.

In case if the due date is neither agreed in writing nor orally, then the ageing related disclosure needs to be prepared from the transaction date. Ind AS 115 requires that an asset arising from contract with customers to be recognized as a receivable when the entity's right to consideration is unconditional (that is, when payment is due only on the passage of time) and such recognition date, which is based on reasonable evidences in compliance with the principles of the applicable accounting standards, can be considered as transaction date for the purpose of ageing disclosure.

Schedule III requires split of trade receivables between 'disputed' and 'undisputed'. These terms have not been defined in the Schedule III

A dispute is a matter of facts and circumstances of the case; However, dispute means disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement. In case there are any disputes such fact should also be considered while assessing the credit risk associated with respective party while computing the impairment loss. However, a dispute might not always be an indicator of counterparty's credit risk and vice-versa. Hence, both of these should be evaluated independently for the purpose of making these disclosures. (Refer the term "Dispute" as defined under the Insolvency and Bankruptcy Code, 2016)

8.1.5. Loans

An NBFC shall disclose the following in the Notes under the head 'Loans':

(i) Bills purchased and bills discounted

(ii) Loans repayable on demand

(iii) Term Loans

(iv) Leasing

(v) Factoring

(vi) Others (to be specified, example of 'Others' could be Intercorporate Deposits, Staff loans, loans to related parties, etc.)

Loans should be classified as per Ind AS 109 as measured at amortised cost, at fair value through Other Comprehensive Income, fair value through Profit or Loss, or designated at fair value through Profit or Loss.

The impairment loss allowance as per Ind AS 109 should be disclosed as a separate line item under the aforesaid measurement categories as applicable.

A break up of the total loans should also be disclosed as:

(a) Secured by tangible assets

(b) Secured by intangible assets

(c) Covered by Bank/ Government Guarantee

(d) Unsecured

As per ICAI's Glossary of Terms Used in Financial Statements, 'Secured loan' is defined as loan secured wholly or partly against an asset.

The security wise break-up of loans as mentioned above shall additionally disclose as a separate line item of loans secured by book debts, fixed deposits and other working capital items as applicable. Loans to the extent they are covered by guarantees of Indian/ Foreign Governments and Indian/ foreign banks shall be included in line item (c) above. Government refers to Government, Government Agencies, and similar bodies whether local, national or international. All loans or parts thereof that are not classified under the previous sub-heads shall be included in line item (d) above. The total of the above line items, after deducting impairment loss allowance in a separate line item, should match with the net loans and advances.

Additional disclosure of loans within India and outside India is required to be made. Further, within India, loans should be classified as those from public sector and others (to be specified). Advances to Central and State Governments and other Government undertakings including Government Companies and statutory corporations are to be included in the category 'Public Sector'. All other loans are included in 'Others' category for example loans to retail or Corporate or industry-wise classification etc. based on the business of the company.

All the above-mentioned disclosures are required to be given for each of the measurement categories, namely, measured at amortised cost, at fair value through other comprehensive income, fair value through Profit or Loss or designated at fair value through Profit or Loss.

As per Ind AS 109, in case of loans measured at fair value through other comprehensive income, the fair value changes shall be presented in other comprehensive income. A company shall estimate a portion of fair value change, if any, attributable to a change in credit risk of such loans, by applying the impairment requirements of Ind AS 109 in recognising and measuring the loss allowance, and disclose the same in the statement of profit and loss with a corresponding impact in other comprehensive income. In other words, the company shall not reduce/increase the carrying amount of such loans in the balance sheet on account of change in the credit risk as the loan needs to be presented at fair value.

For finance lease receivables, an entity shall apply the presentation and disclosure requirements under Ind AS 116 in addition to the requirements of Division III to Schedule III. The disclosure requirements of Ind AS 107 would also apply to such receivables.

Ind AS 107 has prescribed extensive disclosures (qualitative and quantitative) pertaining to Credit Risk on financial instruments of an entity. The same will be required over and above the disclosure requirements stated in the Division III of Schedule III.

8.1.6. Investments

Investments shall be classified as:

(i) Investments in Mutual funds

(ii) Investments in Government securities

(iii) Investments in Other approved securities

(iv) Investments in Debt Securities

(v) Investments in Equity Instruments

(vi) Investments in Subsidiaries

(vii) Investments in Associates

(viii) Investments in Joint Ventures

(ix) Others (Specify)

Investments should further be classified as:

(a) Measured at amortised cost,

(b) Fair value through Other Comprehensive Income,

(c) Fair value through Profit or Loss, and

(d) Designated at fair value through Profit or Loss.

Additional disclosure of Investments within and outside India is required to be provided.

Where the NBFC has used a basis other than amortised cost or fair value, the same may be included in column 'Others', with the basis of measurement to be disclosed as a footnote. e.g. Investment in subsidiaries measured at cost under Ind AS 27 shall be classified under 'Others' in the Separate Financial Statements of the NBFC.

The impairment loss allowance as per Ind AS 109 should be disclosed as a separate line item under the sub-heads (measurement categories) mentioned above.

8.1.6.1 Aggregate amount of impairment in value of investments

As per Division III to Schedule III, this amount should be disclosed separately. As per Ind AS 109, the company is required to recognize a loss allowance (i.e. impairment) for expected credit losses on investments measured at amortized cost. Such loss allowance should be presented as an adjustment to the amortized cost of the investment.

As per Ind AS 109, in case of debt investments measured at fair value through other comprehensive income, the fair value changes will be presented in other comprehensive income. A company should estimate a portion of fair value change, if any, attributable to a change in credit risk of such investment, by applying the impairment requirements of Ind AS 109 in recognising and measuring the loss allowance, and disclose the same in the statement of profit and loss with a corresponding impact in other comprehensive income. In other words, the company shall not reduce/increase the carrying amount of such investment in the balance sheet on account of change in the credit risk as the investment needs to be presented at fair value. Disclosure pertaining to impairment shall be disclosed by way of Notes in accordance with the requirements of Ind AS 107.

As per Ind AS 109, equity instruments measured at other than at cost and debt instruments measured at fair value through profit or loss do not require a separate evaluation of impairment amount. Hence, in such cases, the disclosure pertaining to impairment shall not be applicable.

For the purpose of disclosing aggregate provision for impairment in the value of investments, an entity shall disclose an amount equal to the aggregate amount of impairment recognized and measured in accordance with Ind AS 109, as stated in the paragraphs above.

The aggregate provision for impairment as per Ind AS 36 should be presented in totality, where relevant for each measurement category.

8.1.6.2 Investments in Subsidiaries / Associates / Joint Ventures

The terms 'subsidiary', 'associate' and 'joint venture' shall be as defined in the respective Ind AS. Ind AS 32, Ind AS 107 and Ind AS 109 scope out those interests in subsidiaries, associates, joint ventures that are accounted for in accordance with *Ind AS 110 Consolidated Financial Statements*, *Ind AS 27 Separate Financial Statements* or *Ind AS 28 Investments in Associates and Joint Ventures*.

In some cases, Ind AS 110, Ind AS 27 or Ind AS 28 require or permit an entity to account for an interest in a subsidiary, associate or joint venture in accordance with Ind AS 109. Accordingly, only in its Separate Financial Statements, the entity shall present such interests in a subsidiary, associate or joint venture under the head Investments' separately as per the prescribed schedule.

As per Part III, General Instructions for the Preparation of Consolidated Financial Statements, the Consolidated Financial statements shall further disclose the information as per the requirements specified in the applicable Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules 2015. Thus, for an entity's Consolidated Financial Statements, investments accounted using the equity method (i.e. associates and joint ventures) need to be shown as a separate line item outside 'Financial Assets', as per the requirements of Ind AS 1, Paragraph 54.

Structured Entities

Division III to Schedule III does not require an entity to specifically disclose investments in 'structured entities'. However in case a company has investments in 'structured entities' then the same may be disclosed in addition to investments in subsidiaries, associates, and joint ventures. Where an entity holds investments in subsidiaries, associates and joint ventures which are structured entities, it shall include such investments in the respective line items of investments in subsidiaries, associates and joint ventures. Unconsolidated structured entities shall be disclosed as part of 'others'.

Ind AS-112 Disclosure of Interests in Other Entities states that a "structured entity" is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights are related to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Division II to Schedule III also requires disclosure of the 'nature and extent' of the investments so made. In case of an investment in other than a structured entity, the nature and extent would imply the number of such instruments held and the face value of such instrument. In case of a Structured Entity, rights are mainly established by way of contractual arrangements and therefore as a part of 'nature and extent', a brief description of the nature of contracts may be provided along with the rights held in such entities as evidenced by such contracts.

8.1.7. Other Financial assets:

Other financial assets should include items such as dues in respect of insurance claims, sale of Property, Plant and Equipment, contractually reimbursable expenses, security deposits etc. In case advances are of the nature of a financial asset as per Ind AS 32, these are to be disclosed under 'other financial assets' separately.

Other financial assets may also include receivables emanating from items that are classified as 'other Income'.

Application money paid towards securities

Any application money paid towards securities, where security has not been allotted on the date of the Balance Sheet, shall be disclosed as a separate line item under 'other financial assets'. If the amount is material, details about the date of allotment or when the allotment is expected to be completed may also be disclosed.

Non-Financial Assets

8.1.8. Inventories:

(i) **Inventories shall be classified as:**

  (a) Raw materials;

  (b) Work-in-progress;

  (c) Finished goods;

  (d) Stock-in-trade (in respect of goods acquired for trading);

  (e) Stores and spares;

  (f) Loose tools;

  (g) Others (specify nature).

(ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.

(iii) Mode of valuation shall be stated.

As per Division III to Schedule III, goods in transit should be included under relevant heads with suitable disclosure. Further, mode of valuation for each class of inventories should be disclosed.

The heading "Finished goods" should comprise all finished goods other than the stock-in-trade acquired for trading purposes.

8.1.9. Current Tax Assets (Net):

If amount of tax already paid in respect of current and prior periods exceeds the amount of tax due for those periods (assessment year-wise and not cumulative unless tax laws allow e.g., say tax laws in the country of overseas subsidiary permits), then such excess tax shall be recognised as an asset.

8.1.10. Investment property:

Ind AS 40, Investment Property, defines Investment Property as the property (land or a building—or part of a building—or both) held (by the owner or by the lessee as a right of use asset) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Division III to Schedule III requires a reconciliation of the gross and net carrying amounts of each class of property at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.

The guidance given below on Property, Plant and Equipment, to the extent applicable, is also to be used for Investment Property.

8.1.11. Biological assets other than bearer plants:

As per *Ind AS-41 Agriculture*, a biological asset is a living animal or plant. Examples of biological assets are sheep, Trees in a timber plantation, Dairy Cattle, Cotton plants, Tea bushes, Oil palms, Fruit trees, etc. Some plants, for example, cotton plants, tea bushes, oil palms, fruit trees, grape vines, usually meet the definition of a bearer plant. However, the produce growing on bearer plants, viz., cotton, tea leaves, oil palm fruit, fruits and grapes are biological assets other than bearer plants.

As per Ind AS 41, an entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:

(i) the gain or loss arising from changes in fair value less costs to sell;

(ii) increases due to purchases;

(iii) decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with Ind AS 105;

(iv) decreases due to harvest;

(v) increases resulting from business combinations;

(vi) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and

(vii) other changes.

The guidance given below on Property, Plant and Equipment, to the extent applicable, is also to be used for Biological Assets other than bearer plants.

8.1.12. Property, Plant and Equipment:

The company shall disclose the following in the Notes under the head 'Property, Plant and Equipment':

(i) Classification shall be given as:

 (a) Land;

 (b) Buildings;

 (c) Plant and Equipment;

 (d) Furniture and Fixtures;

 (e) Vehicles;

 (f) Office equipment;

 (h) Bearer Plants;

 (g) Others (specify nature).

(ii) Assets under lease shall be separately specified under each class of asset as part of Notes.

(iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately

As per Paragraph 47 of Ind AS 116 a lessee shall either present in the balance sheet or disclose in the notes: right-of-use assets separately from other assets. If a lessee does not present right-of-use assets separately in the balance sheet, the lessee shall:

(i) include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and

(ii) disclose which line items in the balance sheet include those right-of-use assets.

Illustrative Table

Particulars	Buildings		
	Freehold	**Owner Occupied property**	**Right of Use under a lease**
Current Year			
At cost or fair value at the beginning of the year			
Additions			
Revaluation adjustment, if any			
Disposals			
Reclassification from/to held for sale			
Other adjustments (please specify)			
At cost or fair value at the end of the year			
Accumulated depreciation and impairment as at the beginning of the year			
Depreciation for the year			
Disposals			
Impairment/(reversal) of impairment			
Reclassification from/to held for sale			
Other adjustments (please specify)			
Accumulated depreciation and impairment as at the end of year			
Net carrying amount as at the end of the year (A)			
Total			

Similar presentation may be provided for all the above mentioned assets.

8.1.12.1 Since reconciliation of gross and net carrying amounts of Property, Plant and Equipment, Investment Property and Other Intangible assets is required, the corresponding depreciation/amortization for each class of asset should be disclosed in terms of Opening Accumulated Depreciation, Depreciation / amortization for the period, Deductions / Other adjustments and Closing Accumulated Depreciation / Amortization. Similar disclosures should also be made for Impairment, if any, as applicable.

8.1.12.2 As per Ind AS 101, Paragraph D5 and D6, an entity may elect to measure an item of property, plant and equipment at the date of transition to Ind ASs at its fair value or use a previous GAAP revaluation as deemed cost. Further, as per Paragraph D7AA of Ind AS 101, an entity may also consider previous GAAP carrying amount of all its property, plant and equipment as its deemed cost on the date of transition. In case when a company applies Paragraph D5 or Paragraph D7AA, the deemed cost considered on the date of transition shall become the new 'gross block' and accordingly presented in the reconciliation statement as required by Division III to Schedule III.

8.1.12.3 In case a company wants to disclose information regarding gross block of assets, accumulated depreciation and provision for impairment as per previous GAAP, the same may only be disclosed as an additional information by way of a note forming part of the financial statements.

8.1.12.4 All acquisitions, whether by way of an asset acquisition or through a business combination are to be disclosed as part of the reconciliation in the note on Property, Plant and Equipment (refer Paragraph 8.1.12 at Pg 34), Investment Property (refer Paragraph 8.1.10 at Pg 32) Other Intangible assets (refer Paragraph 8.1.16 at Pg 38) and Biological Assets other than bearer plants (refer Paragraph 8.1.11 at Pg 33). Acquisitions through 'Business Combinations' need to be disclosed separately for each class of assets. Similarly, though not specifically required, it is advisable that asset disposals through demergers, etc. may also be disclosed separately for each class of assets.

8.1.12.5 Other adjustments may include items as required by disclosure requirements of Ind AS 16 and such disclosure should be made in the manner prescribed therein. It may also include, for example net exchange gain / loss arising on the translation of the financial statements from the functional currency into a presentation currency.

8.1.12.6 Under Division III to Schedule III, land and building are presented as two separate classes of property, plant and equipment. In contrast, paragraph 37 of Ind AS 16 gives an example of grouping land and building under same class for revaluation purposes. The Paragraph states that a class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. However, companies should continue to present land and building separately as given in Division III to Schedule III and such presentation needs to be followed consistently.

8.1.12.7 Ind AS Schedule III requires separate disclosure of the amount of change due to revaluation, where change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment. In contrast, paragraph 73 of Ind AS 16 requires reconciliation of the carrying amount at the beginning and end of the period showing increases or decreases resulting from revaluations, irrespective of the percentage change. Accordingly, separate presentation of the amount of change due to revaluation should be continued, irrespective whether such a change is 10% or more, in order to comply with a broader presentation requirement of Ind AS 16 and such presentation needs to be followed consistently.

8.1.12.8 For assets given on lease, an entity shall apply the presentation and disclosure requirements under Ind AS 116 in addition to the requirements of Ind AS Schedule III.

8.1.12.9 For assets obtained on lease and accounted as right-of-use (ROU) assets, an entity shall apply the presentation and disclosure requirements under Ind AS 116 in addition to the requirements of Ind AS Schedule III.

8.1.13. Capital work-in-progress

As per Division III to Schedule III, capital advances should be included under other non-financial assets and hence, should not be included under capital work-in-progress. The capital work-on-progress shall be disclosed as a separate line-item on the face of the balance sheet.

8.1.14. Intangible assets under development

Intangible assets under development should be disclosed under this head provided they can be recognized based on the criteria laid down in *Ind AS-38 Intangible Assets*.

8.1.15. Goodwill

Division III to Schedule III requires a company to present Goodwill as a separate line item on the face of the balance sheet apart from 'Other Intangible Assets'. Further, it requires a reconciliation of the gross and net carrying amount of goodwill at the beginning and end of the reporting period showing additions, impairments, disposals and other adjustments.

8.1.16. Other Intangible assets

The company shall disclose the following in the Notes to Accounts:

(i) Classification shall be given as:

- (a) Brands / trademarks;
- (b) Computer software;
- (c) Mastheads and publishing titles;
- (d) Mining rights;
- (e) Copyrights, patents, other intellectual property rights, services and operating rights;
- (f) Recipes, formulae, models, designs and prototypes;
- (g) Licenses and franchises;
- (h) Others (specify nature).

(ii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related amortization and impairment losses or reversals shall be disclosed separately.

The guidance given above on Property, Plant and Equipment, to the extent applicable, is also to be used for Other Intangible Assets.

8.1.17. Contract assets and impairment thereof

Ind AS 115 requires in case of a contract with customer, when either party has performed, to present a contract asset in the balance sheet as a line item separate from trade receivables. Contract asset arises if an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due. It excludes any amounts presented as a receivable.

The presentation requirements of trade receivables (viz., secured and unsecured, considered good, significant increase in credit risk and credit impaired) may be applied to contract assets if a company has sufficient and appropriate information.

Ind AS 115 also requires impairment of contract assets to be measured, presented and disclosed on the same basis as a financial asset that is within the scope of Ind AS 109.

Accordingly, all the requirements as outlined above for trade receivables (Paragraph 8.1.4 at Pg 19) shall be applied to contract assets as well, to the extent applicable and based on the information available, for e.g., ageing analysis for contract assets may not be feasible.

8.1.18. Other non-financial assets (to be specified)

Capital advances are advances given for procurement of Property, Plant and Equipment including bearer plants, Investment Property, Other Intangible Assets or Biological Assets which are non-financial assets. Typically, companies do not expect to realize them in cash. Rather, over the period, these get converted into Property, Plant and Equipment including bearer plants, Investment Property, Other Intangible assets or Biological Assets, respectively, which are non-financial assets. Hence, capital advances should be treated as other non-financial assets irrespective of when the Property, Plant and Equipment including bearer plants, Investment Property, Other Intangible assets or Biological Assets are expected to be received.

Security Deposits under Other non-financial assets should include those deposits which do not meet the definition of a financial asset.

'Other advances' include all other items in the nature of advances which do not meet the definition of a financial asset viz., Prepaid expenses, GST receivable, etc.

It may be noted that in case advances are of the nature of a financial asset as per Ind AS 32, these are to be disclosed under 'Other financial assets' separately.

Non-current Assets and disposal group held for sale

As per Paragraph 38 of Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, an entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet. The major classes of assets classified as held for sale shall be separately disclosed either in the balance sheet or in the notes.

8.2 Liabilities and Equity

Liabilities

On the face of the Balance Sheet, Division III to Schedule III requires the following items to be presented under financial liabilities as well as non-financial liabilities:

Financial Liabilities

(a) Derivative financial instruments

(b) Payables

- (I) Trade Payables
  - (i) total outstanding dues of micro enterprises and small enterprises
  - (ii) total outstanding dues of creditors other than micro enterprises and small enterprises
- (II) Other Payables
  - (i) total outstanding dues of micro enterprises and small enterprises
  - (ii) total outstanding dues of creditors other than micro enterprises and small enterprises

(c) Debt Securities

(d) Borrowings (Other than Debt Securities)

(e) Deposits

(f) Subordinated Liabilities

(g) Other financial liabilities (to be specified)

Non-financial Liabilities

(a) Current tax liabilities (Net)

(b) Provisions

(c) Deferred tax liabilities (Net)

(d) Other non-financial liabilities (to be specified)

Financial Liabilities

8.2.1 Payables

Division III to Schedule III requires presentation of 'Payables' as a separate line item on the face of the Balance Sheet under 'Financial Liabilities'. The following shall be disclosed as sub-heads on the face of the Balance Sheet under payables as per Division III of Schedule III:

(I) Trade Payables

  (i) Total outstanding dues of micro enterprises and small enterprises

  (ii) Total outstanding dues of creditors other than micro enterprises and small enterprises

(II) Other Payables

  (i) Total outstanding dues of micro enterprises and small enterprises

  (ii) Total outstanding dues of creditors other than micro enterprises and small enterprises

8.2.1.1 A payable shall be classified as 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business. Amounts due under contractual obligations other than purchase of goods and services or statutory payables shall not be included within Trade Payables. Such items may include dues payable in respect of statutory obligations like contribution to provident fund or contractual obligations like contractually reimbursable expenses, amounts due towards purchase of capital goods, etc. These amounts should be shown under Non-financial liabilities.

8.2.1.2 Unpaid Creditors for Capital goods and Debts due to directors or other officers of the NBFC or any of them either severally or jointly with any other person or debts due to firms including LLPs, Private companies respectively in which director is a partner or a director or a member, if they are not in the nature of 'Trade Payables', should be classified as 'Other payables'.

As per Schedule III, the Payables should present separately the portion representing outstanding dues of micro and small enterprises and others. Amount due from 'Medium enterprises' shall form part of 'Others'.

8.2.1.3 As per the requirements of Schedule III the following shall be disclosed:

(a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;

(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;

(c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;

(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and

(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Similar requirements are given under The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

8.2.1.4 The terms "appointed day", "buyer", "enterprise", "micro enterprise", “medium enterprise”, "small enterprise" and" supplier", shall be as defined under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.

8.2.1.5 Ageing of trade payables due for payment

This disclosure requires the company to provide ageing of trade payables due for payment as on the balance sheet date and as per the prescribed format. The trade payables shall be 'not due for payment' if the company has an unconditional right to defer payment of those trade payables for at least 12 months from the balance sheet. The ageing requirement shall not apply to these trade payables not due for payment

In order to tie-up the amounts presented in the 'total' column with the amounts presented in the financial statements or notes, two additional columns with heading 'Unbilled' and the heading 'Not due' shall be added before the ageing columns to separately disclose the amount for unbilled payables and the amount of trade payables which are not due, respectively. Ind AS 37 states that trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Unbilled trade payables shall include accruals which are not classified as provisions under IND AS 37.

Ind AS 37 defines a "provision" as a liability of uncertain timing or amount. Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. It is clarified that a "provision" shall not be considered as unbilled trade payables.

The amounts to be presented under (i) MSME and (ii) Others shall include those trade payable dues that are undisputed.

Due date shall be the date by when a buyer should make payment to the supplier as per terms agreed upon between the buyer and supplier. In case if the due date is neither agreed in writing nor oral, then the disclosure needs to be prepared from the transaction date. Transaction date shall be the date on which the liability is recognized in the books of the accounts as per the requirement of applicable standards.

A dispute is a matter of facts & circumstances of the case; However, dispute means a disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement.

8.2.2 Debt Securities

8.2.2.1 The head 'Debt Securities' **under 'Financial Liabilities'** will include securities (secured or unsecured) other than those which are classified as 'Subordinated debt'. Debt securities shall comprise of liability component of Compound Financial instruments as per Ind AS and Other such as Bonds and Debentures. Debt securities should be further classified into the following measurement categories such as

(a) Amortised Cost,

(b) Fair Value through Profit or Loss and

(c) Designated at Fair Value through Profit or Loss.

8.2.2.2 Additional disclosures of Debt securities within India and Outside India are required to be made.

8.2.2.3 Refer Paragraph 8.2.14.8 (Pg 85) on guidance on liability component of compound financial instrument. Moreover disclosure requirements as applicable to other debt securities shall be applicable to 'liability component of compound financial instrument' under the heading 'Debt securities'

8.2.2.4 Bonds or debentures (along with the rate of interest, and particulars of redemption or conversion, as the case may be) shall be stated in ascending order of maturity or conversion, starting from earliest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the first instalment becomes due**.**

8.2.2.5 Particulars of any redeemed bonds or debentures which an NBFC has power to reissue shall be disclosed.

8.2.2.6 Liabilities arising out of Securitisation transactions resulting into issue of debt securities shall be classified as debt securities.

8.2.3 Borrowings (Other than Debt Securities)

Borrowings (Other than Debt Securities) shall be classified as:

(a) Term Loans

  (i) From banks

  (ii) From other parties

(b) Deferred payment liabilities

(c) Loans from related parties

(d) Finance lease obligations*

(e) Liability component of compound financial instruments

(f) Loans repayable on demand

 (i) From banks

 (ii) From other parties

(g) Other loans (specify nature) – example securitization liabilities.

*Division III to Schedule III requires finance lease obligation to be disclosed under Borrowings; however basis the facts and circumstances of the case the presentation may be different i.e. if it is presented as other financial liabilities instead of Borrowings under Ind AS 116.

8.2.3.1 The borrowings should be further classified into the following measurement categories such as:

(a) Amortised Cost,

(b) Fair value through Profit or Loss and

(c) Designated at Fair Value through Profit or Loss.

Additional disclosures of Borrowings within India and Outside India are required to be made.

8.2.3.2 Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

8.2.3.3 Where borrowings have been guaranteed by directors or others, the aggregate amount of such borrowings under each head shall be disclosed. The word “others” used in the phrase “directors or others” would mean any person or entity other than a director. Therefore, this is not restricted to mean only parties related to the directors.

8.2.3.4 Terms of repayment of term loans and other loans are also required to be stated.

8.2.3.5 Period and amount of default as on the Balance Sheet date in repayment of borrowings and interest shall be specified separately in each case.

8.2.3.6 The phrase "term loan" has not been defined in Schedule III. Term loans normally have a fixed or pre-determined maturity period and / or repayment schedule.

8.2.3.7 Deferred payment liabilities would include any liability for which payment is to be made on deferred credit terms. E.g. deferred payment for acquisition of Property, Plant and Equipment, etc.

8.2.3.8 Division III to Schedule III also stipulates that the nature of security shall be specified separately in each case. A blanket disclosure of different securities covering all loans classified under the same head such as 'All Term loans from banks' will not suffice. However, where one security is given for multiple loans, the same may be clubbed together for disclosure purposes with adequate details or cross referencing.

8.2.3.9 Disclosure about the nature of security should also cover the type of asset given as security e.g. inventories, plant and machinery, land and building, etc. This is because the extent to which loan is secured may vary with the nature of asset against which it is secured.

8.2.3.10 When promoters, other shareholders or any third party have given any personal security for any borrowing, such as shares or other assets held by them, disclosure should be made thereof, though such security does not result in the classification of such borrowing as secured.

8.2.3.11 Division III to Schedule III requires that under the head "Borrowings," period and amount of default as on the Balance Sheet date, in repayment of borrowings and interest shall be specified separately in each case. Even one default by a company would create an obligation to disclose the period and amount of default. Further, in line with Paragraph 18 of Ind AS 107, if there was a default during the reporting period, an entity shall provide a disclosure even if the default was remedied before the financial statements were approved for issue.

8.2.3.12 The word "loan" has been used in a generic sense. Hence, the disclosures relating to default should be made for all items listed under the category of borrowings such as deferred payment liabilities, lease obligations, etc. and not only to items classified as "loans" such as term loans, etc.

8.2.3.13 Division III to Schedule III requires separate disclosure for default, as on the balance sheet date, in repayment of borrowings and interest but does not require any disclosure of breaches. However, Paragraph 19 of Ind AS 107 would require an entity to disclose those breaches made during the reporting period, which permitted the lender to demand accelerated repayment and, were not remedied on or before the end of the reporting period.

8.2.3.14 Terms of repayment of term loans and other loans shall be disclosed. The term 'other loans' is used in general sense and should be interpreted to mean all categories listed under the heading 'Borrowings' as per Division III to Schedule III. Disclosure of terms of repayment should be made for each loan unless the repayment terms of individual loans within a category are similar in which case these may be aggregated.

8.2.3.15 Disclosure of repayment terms should include the period of maturity with respect to the Balance Sheet date, number and amount of instalments due, the applicable rate of interest, other significant and relevant terms, if any.

8.2.3.16 Loans from related parties are required to be disclosed. All the disclosure requirements of borrowings would be applicable to such loans from related parties.

8.2.3.17 Refer Paragraph 8.2.14.8 (Pg 85) for guidance on liability component of compound financial instruments. Moreover, disclosure requirements as applicable to Other Borrowings shall be applicable to 'liability component of compound financial instruments' under the heading 'Borrowings'.

8.2.3.18 Liabilities arising out of Securitisation transactions resulting into issue of borrowings shall be classified as borrowings.

8.2.4 Deposits

8.2.4.1 Deposits shall be classified as Public Deposits, from Banks, and from others. 'Others' would also include Inter corporate deposits. Deposits should be further classified into the following measurement categories such as:

(a) Amortised Cost,

(b) Fair Value through Profit or Loss and

(c) Designated at Fair Value through Profit or Loss.

8.2.5 Subordinated Liabilities

Subordinated Liabilities shall be classified as:

(i) Perpetual Debt Instruments to the extent that do not qualify as equity;

(ii) Preference Shares other than those that qualify as equity;

(iii) Others (Specifying the nature and type of instrument issued).

The subordinated liabilities shall be disclosed both within and outside India.

'Others' will include those liabilities which are considered as subordinated by the respective regulator, e.g. RBI has defined "subordinated debt" as instrument, which is fully paid up, is unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or without the consent of the supervisory authority of the non-banking financial company.

Disclosures as required in respect of 'debt securities' will have to be given and also additional disclosures as required by the RBI will have to be provided.

8.2.6 Other Financial liabilities (to be specified)

Division III to Schedule III requires presenting 'Other Financial Liabilities' as a separate line item on the face of the Balance Sheet under 'Financial Liabilities'. Items which meet the definition of financial liabilities as per Ind AS 32 should be presented under this heading as under:

(i) Interest accrued;

(ii) Unpaid dividends;

(iii) Application money received for allotment of securities to the extent refundable and interest accrued thereon;

(iv) Unpaid matured deposits and interest accrued thereon;

(v) Unpaid matured debentures and interest accrued thereon;

(vi) Margin money (to be specified); and

(vii) Others (specify nature)

Items which meet the definition of financial liabilities as per Ind AS 32, like contingent consideration, derivative contracts, financial guarantee contracts issued, contractually reimbursable expenses etc. should be presented under other financial liabilities.

Interest Accrued

Interest accrued on financial liabilities shall form part of their carrying amount whether it is at amortized cost (i.e. as per effective interest method), or at fair value. Accordingly, an entity shall not present 'Interest Accrued' separately from the related financial liability.

Offsetting a Financial Asset and a Financial Liability

In accordance with Paragraph 42 of Ind AS 32, to offset a financial asset and a financial liability, an entity must have a currently enforceable legal right to set off the recognised amounts and the intention to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-financial liabilities

8.2.7 Current Tax Liabilities

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. The tax for current and prior periods shall, to the extent unpaid, be recognised as a liability.

If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset.

8.2.8 Provisions

The provisions shall be classified as:

(a) Provision for employee benefits;

(b) Others (specify nature).

'Others' would include all provisions other than provisions for employee benefits such as provision for litigation, provision for decommissioning liabilities, loan commitments etc. These amounts should be disclosed separately specifying nature thereof.

For loan commitments and financial guarantee contracts as per Ind AS 109 the loss allowance is recognised as a provision. An entity should disclose information about the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component and the entity cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment should be recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision.

8.2.9 Deferred Tax Liability (Net)

Ind AS 12 requires companies to recognise deferred tax assets or liabilities using a balance sheet approach, i.e. comparing the Ind AS carrying value of the asset or liability to its tax base.

8.2.10 Other non-financial liabilities (to be specified)

The amounts shall be classified as:

(a) Revenue received in advance;

(b) Other advances (specify nature);

(c) Others (specify nature).

Other advances that satisfy the requirements for being classified as non-financial liabilities should be classified under this head. The definition of the terms 'financial instruments', 'financial asset', 'financial liability' and 'equity' as defined in Ind AS 32 may be referred to in order to determine items that may get classified as financial and non-financial liabilities for example, amount received in advance. 'Others' should include items under other non-financial liabilities e.g., statutory dues payable, legal claims outstanding.

Trade Deposits and Security Deposits, which do not meet the definition of financial liabilities, should be classified as 'Others' grouped under this head. 'Others' may also include liabilities in the nature of statutory dues such as Withholding taxes, Goods and Services Tax (GST), etc.

Contract Liability

Ind AS 115 requires in case of a contract with customer, when either party has performed, to present a contract liability in the balance sheet. Contract liability arises if a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (i.e. a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

A company shall apply the requirements of Ind AS 1 and Ind AS 32 to determine whether it is appropriate to offset contract assets and liabilities against other balance sheet items (e.g., receivables).

8.2.11 Liabilities for assets held for sale

As per Paragraph 38 of Ind AS 105, the liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the balance sheet or in the notes.

8.2.12 Contingent liabilities and commitments

(i) Contingent liabilities shall be classified as:

- (a) Claims against the company not acknowledged as debt;
- (b) Guarantees excluding financial guarantees; and
- (c) Other money for which the company is contingently liable.

(ii) Commitments shall be classified as:

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for;
- (b) Uncalled liability on shares and other investments partly paid
- (c) Other commitments (specify nature)

The provisions of *Ind AS-37 Provisions, Contingent Liabilities and Contingent Assets*, will be applied for determining contingent liabilities.

8.2.12.1 Division III to Schedule III requires guarantees other than financial guarantees to be disclosed as a part of contingent liabilities, since financial guarantees are recognized on the balance sheet in accordance with Ind AS 109. Ind AS 107 specifies certain disclosure in respect of the exposure to credit risk on financial guarantee contracts as a part of the disclosures on 'credit risk exposures', which an entity should provide in its Notes to Accounts.

Where a company undertakes to perform its own obligations, and for this purpose issues, what is called a "guarantee", it does not represent a contingent liability and it is misleading to show such items as contingent liabilities in the Balance Sheet. For various reasons, it is customary for guarantees to be issued by Bankers e.g. for payment of insurance premium, deferred payments to foreign suppliers, letters of credit, etc. For this purpose, the company issues a "counter-guarantee" to its Bankers. Such a "counter-guarantee" is not really a guarantee at all, but is an undertaking to perform what is, in any event, the obligation of the company, namely, to pay the insurance premium when demanded or to make deferred payments when due. Hence, such performance guarantees and counter guarantees should not be disclosed as contingent liabilities.

8.2.12.2 Division III to Schedule III also requires disclosures pertaining to various commitments such as capital commitments not provided for and uncalled liability on shares. It also requires disclosures pertaining to 'Other commitments', with specification of nature thereof.

8.2.12.3 The word 'commitment' has not been defined in Schedule III. The Glossary of Terms Used in Financial Statements issued by ICAI defines 'Capital Commitment' as future liability for capital expenditure in respect of which contracts have been made. Hence, drawing inference from that definition, the term 'commitment' would simply imply future liability for contractual expenditure. Accordingly, the term 'Other commitments' would include all expenditure related to contractual commitments apart from capital commitments such as employee contracts, lease commitments, etc. However, the disclosure of all contractual commitments should be made bearing in mind the overarching principle under Note 4(ii) in General Instructions for Preparation of Financial Statements that "a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation."

8.2.12.4 Disclosures relating to lease commitments are required to be disclosed as per Ind AS-116 *Leases,* for example short term leases as per Paragraph 55 of Ind AS 116.

8.2.12.5 Accordingly, the disclosures required to be made for 'other commitments' should include only those non-cancellable contractual commitments (i.e. cancellation of which will result in a penalty disproportionate to the benefits involved) based on the professional judgement of the management which are material and relevant in understanding the Financial Statements of the company and impact the decision making of the users of Financial Statements. Examples may include commitments in the nature of buy-back arrangements, commitments to fund subsidiaries and associates, non-disposal of investments in subsidiaries and undertakings, derivative related commitments, etc. Care should be taken to ensure that items that are to be reflected as liabilities under Ind AS do not get disclosed under this head and appropriate disclosure required by Ind AS should be complied with.

8.2.12.6 Division III to Schedule III requires disclosure of the amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share to be disclosed separately. Though, the Act prohibits issue of irredeemable preference shares, Division III to Schedule III requires separate disclosure of the arrears of fixed cumulative dividends on irredeemable preference shares. The term 'irredeemable' is used in the context of compulsorily convertible preference shares rather than in the context of perpetual preference shares which are neither convertible nor redeemable. *Ind AS-10 Events after the Reporting Period,* requires that dividends in respect of the period covered by the Financial Statements, which are proposed or declared by the enterprise after the Balance Sheet date but before approval of the Financial Statements, should not be adjusted but should be disclosed in accordance with *Ind AS-1 Presentation of Financial Statements*.

Division III to Schedule III requires that where, in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the Balance Sheet date, then the company shall indicate by way of note, how such unutilized amounts have been used or invested.

8.2.12.7 The Schedule III requires that where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.

It is not necessary to establish a one-to-one relationship with the amount of borrowing and its utilisation. It is quite often found that the amount of borrowing obtained is deposited in the common account of the company from which subsequently the utilisation is made. In such cases, it should not be construed that the amount has not been utilised for the purpose for which it was obtained. Accordingly, this needs to be determined based on overall position of balance sheet at the reporting period.

Normally, when banks or financial institutions make direct payments to the vendors/suppliers, then it becomes easier to build a nexus between the source and application of funds.

8.2.12.8 Additional Regulatory Information

MCA has introduced several new disclosure requirements in its notification dated 24th March 2021 as part of amendments to Schedule III and grouped them under 'additional regulatory information'. They are as below:

(i) Title deeds of Immovable Property not held in the name of the Company

The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance Sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter* / director or employee of promoter / director	Property held since which date	Reason for not being held in the name of the company**
PPE	Land	XX	XX	XX	XX	XX
PPE	Building	XX	XX	XX	XX	XX
Investment property	Land	XX	XX	XX	XX	XX
Investment property	Building	XX	XX	XX	XX	XX
Non-current asset held for sale	Land	XX	XX	XX	XX	XX

Non-current asset held for sale	Building	XX	XX	XX	XX	XX
Others	XX	XX	XX	XX	XX	XX

Relative here means relative as defined in the Act.

* Promoter here means promoter as defined in the Act.

** also indicate if in dispute

This disclosure requires the company to provide details, in the prescribed format, of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company. The Act does not define the term "Immovable Property". However, as per General Clauses Act, 1897, "Immovable Property shall include land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth". In the absence of any specific guidance, the immovable properties presented under 'property, plant and equipment', 'investment property' or classified as non-current asset held for sale would be covered in the scope of this disclosure but immovable property items presented as inventory by companies carrying on real estate business will not fall under this disclosure.

The Act does not define 'title deeds'. In general, title deeds mean a legal deed or document constituting evidence of a right, (eg. registered sale deed, transfer deed, conveyance deed of land) especially to the legal ownership of the immovable property.

In case of leased assets, title deeds would imply the lease agreements and related documents. Where the Company is the lessee of an immovable property and the lease agreements are not duly executed in favour of the lessee then appropriate disclosure has to be provided for such immovable properties.

The prescribed format requires disclosure of 'relevant line item in the Balance Sheet' and 'description of item of property'. The prescribed format cover various line items in the Balance Sheet i.e. PPE, Investment Property etc. and therefore, 'others' is a residual category that may be used to disclose those immovable properties which could not otherwise be disclosed as part of the prescribed line items. For example, plant and machinery items or equipment, bearer plants, any other item of PPE that would be covered within the meaning of 'immovable property'.

While making this disclosure in the financial statements, the company should disclose the following information:

(i) *Gross carrying value* – the company shall disclose the amount in the financial statements;

(ii) *Title deeds held in the name of* – the company shall disclose the full name of the individual/entity/person holding the title of immovable property;

(iii) *Whether title deed holder is a promoter, director or relative of promoter / director or employee of promoter / director* – the company shall disclose the relationship between itself and the individual/entity/person holding the title of immovable property;

(iv) *Property held since which date* – the company shall disclose the date since the property is held and where the exact date is not available, it shall disclose the month and year since the property is held.

(v) *Reason for not being held in the name of the company, also indicating if there is a dispute* – the company shall state the reason for the immovable property not being held in the name of the company (for example, the documents are under preparation or the registration process of transfer of name is in progress as on the balance sheet date). In case the title deeds of immovable property are not being held in the name of company due to a dispute, the company shall state the nature of dispute.

(ii) Revaluation of Investment Property

The company shall disclose as to whether the fair value of investment property (as measured for disclosure purposes in the financial statements) is based on the valuation by a registered valuer as defined under rule 2 of companies (Registered Valuers and valuation) Rules, 2017

(iii) Revaluation of Property, Plant and Equipment

Where the Company has revalued its **Property, Plant and Equipment**, (including Right-of-use assets), the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.

This clause requires a Company to disclose whether the fair valuation of its Investment Property (only as measured for the purpose of disclosure in the financial statements), and revaluation of its Property, Plant and Equipment (including Right-of-Use Assets) during the year is based on the valuation by a registered valuer as defined above. In case the Company has not used registered valuer for such fair value/revaluation purposes, the fact needs to be disclosed in the financial statements.

(iv) Revaluation of Intangible Assets

Where the Company has revalued its **Intangible assets**, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.

This clause requires a Company to disclose whether revaluation of its Intangible Assets during the year is based on the valuation by a registered valuer as defined above. In case the Company has not used registered valuer for such fair value/revaluation purposes, the fact needs to be disclosed in the financial statements.

(v) Loans or Advances

Following disclosures shall be made where loans or advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under the Companies Act 2013) either severally or jointly with any other person that are:

(a) repayable on demand

(b) without specifying any terms or period of repayment

Type of Borrower	**Amount of loan or advance in the nature of loan outstanding**	**Percentage to the total Loans and Advances in the nature of loans**
Promoters		
Directors		
KMPs		
Related Parties		

This disclosure requires the company to provide details of the amount in respect of loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment granted to promoters, directors, KMPs and related parties (all of these to be identified as defined under Companies Act, 2013).

Whether an advance is in the nature of a loan would depend upon the facts and circumstances of each case. For example, a normal advance against an order, in accordance with the normal trade practice would not be an advance in the nature of loan. But if an advance is given for an amount which is far in excess of the value of an order or for a period which is far in excess of the period for which such advances are usually extended as per the normal trade practice, then such an advance may be in the nature of a loan to the extent of such excess. When a trade practice does not exist, a useful guide would be to consider the period of time required by the supplier for the execution of the order, that is, the time between the purchase of the raw material and the delivery of the finished product. An advance which exceeds this period would normally be an advance in nature of loan unless there is an evidence to the contrary. Similarly, a stipulation regarding interest may normally be an indication that the advance is in nature of a loan but this by itself is not conclusive and there may also be advances which are not in the nature of loan and which carry interest.

For the purpose of making this disclosure, the relationship should be considered on the date of loan and the amount should be outstanding as at the balance sheet date.

The prescribed format has been modified to provide similar information for the comparative reporting period(s) as given below, while the amounts and percentages shall be disclosed at an aggregate level with separate categorization into 'repayable on demand' and 'without specifying any terms or period of repayment':

	Current Period		**Previous Period**	
Type of Borrower	**Amount outstanding***	**% of Total^**	**Amount outstanding***	**% of Total^**
Promoters				
Directors				
KMPs				
Related Parties				
Total				

* represents loan or advance in the nature of loan

^ represents percentage to the total Loans and Advances in the nature of loans

Moreover, the amount outstanding should be the gross carrying amount (without netting the provision for doubtful debts or impairment loss allowance) included by the company in its respective balance sheet.

(vi) Capital Work-in-Progress (CWIP) ageing schedule / completion schedule

(a) For CWIP, the following ageing schedule shall be given:

CWIP ageing schedule

(Amount in Rs.)

CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

* Total shall tally with CWIP amount in the balance sheet.

This disclosure requires the total amount of CWIP as presented in the financial statements to be split between two broad categories viz., 'Projects in progress' and 'Projects temporarily suspended' along with its ageing schedule. The disclosure is not required to be presented at an asset/project level however, the total amount presented in this disclosure should tally with the total amount of CWIP as presented in the financial statements.

As this disclosure needs to be provided at every balance sheet date, the ageing for an item of CWIP shall be determined from the date of its initial recognition to the date of balance sheet. Accordingly, it may so happen that for a single asset/project recognized as a CWIP, the ageing for the total amount of CWIP shall fall into different ageing buckets as at a particular balance sheet date. This can be explained with the help of below example:

Company A is commissioning a plant. The project activity was in progress at the end of the reporting period (year 4). It has incurred following expenditures on various items in commissioning that plant:

Period [1]	Amount	CWIP Balance at the year-end
Year 1	100	100
Year 2	150	250
Year 3	250	500
Year 4	50	550

[1] For illustration purpose, it has been assumed that the expenditure has been incurred on first day of each year.

Disclosure as at the end of Year 4 shall be made as follows:

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	50	250	150	100	550
Projects temporarily suspended	-	-	-	-	-

* Total shall tally with CWIP amount in the balance sheet.

When temporary suspension is a necessary part of the process of getting an asset ready for its intended use, the project should not be considered to have been temporarily suspended and the CWIP related to such projects should continue to be presented under 'Projects in progress'.

The classification of assets/projects into 'projects in progress' and 'projects temporarily suspended' needs to be evaluated at each reporting date. Any change in status during the reporting period or any time after end of the reporting period will not change the classification of assets/projects for above disclosure purposes. For e.g., if a project was temporarily suspended for most of the time during the reporting period but development of the asset resumes before the end of the reporting period, then the ageing of its related CWIP amounts will be presented under 'Projects in progress'.

Similarly, where a project is temporarily suspended at the end of reporting period but development on same resumes after end of reporting period, then the ageing of its related CWIP amounts will be presented under 'Projects temporarily suspended'.

Any change in the asset's/project's category of disclosure as at the end of current period will not affect disclosure given for that asset/project as at the end of previous period. For e.g., where a project is in progress at the end of current reporting period but was temporarily suspended at the end of previous reporting period, the ageing schedule as at end of current period will show the asset/project as part of the category 'projects in progress' while the ageing schedule as at the end of previous period will continue to present the asset/project as part of the category 'project temporarily suspended'.

The requirements mentioned above in respect of CWIP shall be applicable for investment property under development.

(b) For CWIP, whose completion is overdue or has exceeded its cost compared to its original plan, following **CWIP completion schedule** shall be given**:

(Amount in Rs.)

CWIP	To be completed in			
	Less than 1 year	**1-2 years**	**2-3 years**	**More than 3 years**
Project 1				
Project 2				

** Details of projects where activity has been suspended shall be given separately.

In respect of assets/projects forming part of CWIP and which have become overdue compared to their original plans or where cost is exceeded compared to original plans, disclosure is required to be given for expected completion timelines in defined ageing brackets. Any variation between an asset's/project's actual completion timeline or it's actual cost and the respective estimate is required to be evaluated from the original plan (i.e. original completion timelines and original estimated costs). A company's 'original plan' shall be considered as that plan which is approved by the relevant approving authority and on the basis of which implementation progress is evaluated. Such an original plan shall include management's estimates and assumptions w.r.t future business, economy / industry and regulatory environments and such assumptions shall be subject to change from time to time resulting in a 'revised plan'. Management shall apply judgement in determining whether such revisions in the plans are in the nature of a fresh 'Original Plan' or simply an update of estimates and assumptions such that the original plan is revisited and revised. When plans are subsequently revisited and revised, same should not be considered for determining variation when making above disclosures.

Disclosure is required only in those cases where the actual cost of an asset/project has already exceeded the estimated cost as per original plan or actual timelines for completion of an asset/project have exceeded the estimated timelines as per original plan. Such assessment needs to be done at each reporting date.

This disclosure is required to be made at project level and separately for the two categories viz., 'Projects in progress' and 'Projects temporarily suspended'.

Further, for the purpose of this disclosure, projects that are not considered as material at an individual level can be aggregated and disclosed under the relevant category.

The prescribed disclosure may be slightly modified as below:

CWIP	**To be completed in**			
	Less than 1 year	**1-2 years**	**2-3 years**	**More than 3 years**
Projects in progress				
Project 1				
Project 2				
Projects temporarily suspended				
Project 1				
Project 2				

* Total shall tally with CWIP amount in the balance sheet.

The prescribed format of disclosure seems to require a disclosure for both categories (exceeded cost or overdue) on a combined basis instead of separately disclosing for each trigger viz., projects which are overdue and projects where cost have exceeded. However, the company may choose to provide disclosure for each trigger separately.

Neither Schedule III nor Ind AS 16 defines ‘project’. Project may be construed as smallest group of assets having a common intended use. For e.g., group of assets in an integrated plant may be treated as one project. The identification of project will require judgement and management needs to identify project based on facts of each case. Project identification should be consistent with how management identifies and monitors progress on group of assets internally.

(vii) Intangible assets under development ageing schedule / completion schedule

(a) For intangible assets under development, the following ageing schedule shall be given:

Intangible assets under development ageing schedule

(Amount in Rs.)

Intangible assets under developme nt	**Amount in Intangible asset under development for a period of**				**Total***
	Less than 1 year	**1-2 years**	**2-3 years**	**More than 3 years**	
Projects in progress					
Projects temporarily suspended					

* Total shall tally with the amount of intangible assets under development in the balance sheet.

(b). For intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following intangible assets under development completion schedule shall be given**:

(Amount in Rs.)

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

** Details of projects where activity has been suspended shall be given separately.

All the relevant guidance given for a similar disclosure of capital work-in-progress to the extent applicable to Intangible assets under development are applicable here also.

(viii) Details of Benami Property held

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibitions) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following:

(a) Details of such property, including year of acquisition;

(b) Amount thereof;

(c) Details of Beneficiaries;

(d) If property is in the books, then reference to the item in the Balance Sheet;

(e) If property is not in the books, then the fact shall be stated with reasons;

(f) Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided;

(g) Nature of proceedings, status of same and company's view on the same.

The disclosure requirement refers to Benami Transactions (Prohibition) Act, 1988. The name of the aforesaid Act has been changed to Prohibition of Benami Property Transactions Act, 1988 in the year 2016. Therefore, for the purpose of disclosures, reference shall be made to Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016).

For the meaning of the relevant terms, reference has to be made to Prohibition of Benami Property Transactions Act, 1988 (as amended from time to time) and the rules made thereunder. Relevant definitions applicable for this disclosure are reproduced below:

Section 2(8) – "benami property" means any property which is the subject matter of a benami transaction and also includes the proceeds from such property;

Section 2(9) – "benami transaction" means,

(A) a transaction or an arrangement:

(a) where a property is transferred to, or is held by, a person, and the consideration for such property has been provided, or paid by, another person; and

(b) the property is held for the immediate or future benefit, direct or indirect, of the person who has provided the consideration,

except when the property is held by—

(i) a Karta, or a member of a Hindu undivided family, as the case may be, and the property is held for his benefit or benefit of other members in the family and the consideration for such property has been provided or paid out of the known sources of the Hindu undivided family;

(ii) a person standing in a fiduciary capacity for the benefit of another person towards whom he stands in such capacity and includes a trustee, executor, partner, director of a company, a depository or a participant as an agent of a depository under the Depositories Act, 1996 (22 of 1996) and any other person as may be notified by the Central Government for this purpose;

(iii) any person being an individual in the name of his spouse or in the name of any child of such individual and the consideration for such property has been provided or paid out of the known sources of the individual;

(iv) any person in the name of his brother or sister or lineal ascendant or descendant, where the names of brother or sister or lineal ascendant or descendent and the individual appear as joint-owners in any document, and the consideration for such property has been provided or paid out of the known sources of the individual; or

(B) a transaction or an arrangement in respect of a property carried out or made in a fictitious name;

(C) a transaction or an arrangement in respect of a property where the owner of the property is not aware of, or, denies knowledge of, such ownership; or

(D) a transaction or an arrangement in respect of a property where the person providing the consideration is not traceable or is fictitious.

Explanation – For the removal of doubts, it is hereby declared that benami transaction shall not include any transaction involving the allowing of possession of any property to be taken or retained in part performance of a contract referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882), if, under any law for the time being in force,—

(i) consideration for such property has been provided by the person to whom possession of property has been allowed but the person who has granted possession thereof continues to hold ownership of such property;

(ii) stamp duty on such transaction or arrangement has been paid; and

(iii) the contract has been registered;

Section 2(10) - "benamidar" means a person or a fictitious person, as the case may be, in whose name the benami property is transferred or held and includes a person who lends his name;

Section 2(19) - "Initiating Officer" means an Assistant Commissioner or a Deputy Commissioner as defined in clauses (9A) and (19A) respectively of section 2 of the Income-tax Act, 1961;

Section 2(26) - "property" means assets of any kind, whether movable or immovable, tangible or intangible, corporeal or incorporeal and includes any right or interest or legal documents or instruments evidencing title to or interest in the property and where the property is capable of conversion into some other form, then the property in the converted form and also includes the proceeds from the property.

The Initiating Officer (IO), as the name indicates is an authority who initiates the proceedings under the aforesaid Act. As per section 2(19) of aforesaid Act, the IO is the Assistant/ Deputy Commissioner of Income Tax. Chapter IV of the aforesaid Act deals with the provisions relating to attachment, adjudication, and confiscation of property involved in benami transaction.

The IO collects the material during the investigation of suspicious benami transaction, and based on such material in his possession, if he has reason to believe that any person is benamidar in respect of the property, then he has to record the reasons in writing and then issue a show cause notice to such benamidar asking why the property should not be treated as benami property. The IO issues the show cause notice under section 24(1) of Prohibition of Benami Property Transactions Act, 1988. A copy of the show-cause notice shall be sent to the beneficial owner also if his identity is known.

With the above background and guidance from the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016), when making this disclosure in the financial statements, the company should provide the following information:

(i) *Details of such property, including year of acquisition* – the company shall disclose the details like name and nature of the property, as available and also the year of acquisition;

(ii) *Amount thereof* – the company shall disclose the amount of acquisition cost incurred at the time of acquisition of the property;

(iii) *Details of Beneficiaries* – the company shall disclose these details w.r.t beneficiaries viz., name, address, any government identification number (for e.g., PAN, Aadhar Card, SSN, CIN, etc) and relationship with the company;

(iv) *If property is in the books, then reference to the item in the Balance Sheet* – the company shall disclose the line item of the balance sheet in which such property is presented, if it is recognised in the books of accounts;

(v) *If property is not in the books, then the fact shall be stated with reasons* – the company shall state the fact along with the reason for the property not recognised in the books of accounts of the company;

(vi) *Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided* – the company shall provide details like the Initiating

Officer, date of show-cause notice, name and nature of the property which is the subject of the proceedings etc.;

(vii) *Nature of proceedings, status of same and company's view on same* – the company shall specify, as part of the nature of proceedings, whether it involves an attachment, adjudication and/or confiscation of property. The company shall also state the fact around the status of the proceedings and its view on the same.

(viii) In case of a dispute on the proceedings initiated or pending against the company, the company shall state the fact along with the period (no. of years) since the beginning of the dispute till the balance sheet date.

(ix) Security of current assets against borrowings

Where the company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:

(a) whether quarterly returns or statements of current assets filed by the company with banks or financial institutions are in agreement with the books of accounts.

(b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.

This clause requires the company to provide certain disclosure in case it has borrowings from banks or financial institutions on the basis of security of current assets. It is not specified whether the existence of borrowings should be assessed as at the end of the reporting period or during the reporting period. However, there is similar reporting requirement for the auditors as per the Companies (Auditors' Report) Order, 2020 ('CARO 2020'), whereby the clause refers to the words 'during any point of time of the year'. Accordingly, the disclosure requirement shall apply if the company has borrowings 'during any point of time of the year' from banks or financial institutions on the basis of the security of the current assets.

Schedule III to the Act defines a current asset as under:

"An asset shall be classified as current when it satisfies any of the following criteria:

(a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realized within twelve months after the reporting date; or

(d) it is Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

The Company shall provide this disclosure considering the sanctioned borrowings even if the same is unutilized during the period or as at the end of the reporting period. The utilization may be more or less than the sanctioned amounts, but such cases will also be covered for the purpose of reporting. The term "sanction" here should include fresh sanction during the reporting period as well as limits renewed or due for renewal during the reporting period. Moreover, both fund based and non-fund based credit facilities availed by the Company shall be included for the purpose of this disclosure. However, this would exclude any borrowings which are sanctioned on the basis of security of the assets other than current assets.

Although company may be submitting monthly returns/statements to the lenders, reporting under this clause is confined to the quarterly returns/statements only. For instance, if the company submits returns/ statements on a monthly basis say for the months of April, May and June, then the disclosure would be required in the context of the returns/statements submitted solely for the month of June, being the relevant return as at the end of a quarter.

Such returns/statements may include, book debt statements, , statements on ageing analysis of the debtors/other receivables to be submitted in stipulated format on a periodic basis to lenders.

The Statement as submitted to the Banks/Financial Institutions should be compared to the Books of Accounts of the Company.

If any discrepancy arises when such returns/statements are compared with the books of account, then the Company is required to provide summary of reconciliation and reasons of material discrepancies. Instances of such differences may be relating to difference in the amount of debtors/creditors, ageing analysis of debtors, etc., between the books of account and the returns/statements submitted to banks/financial institutions.

The disclosure required under this clause should also be made, if applicable, where borrowings have been availed based on security of current assets of other companies/entities within the same Group as the reporting entity.

Illustrative format for disclosure is as follows (to be given separately for each company/entity within the group):

Quarter	***Name of bank***	***Particulars of Securities Provided***	***Amount as per books of account***	***Amount as reported in the quarterly return/ statement***	***Amount of difference***	***Reason for material discrepancies***
June 20XX	Bank X	Trade receivables Loans receivable	*XX*	*XX*	*XX*	

(x) Wilful Defaulter

Where a company is declared wilful defaulter by any bank or financial institution or other lender, following details shall be given:

(a) Date of declaration as wilful defaulter;

(b) Details of defaults (amount and nature of defaults)

A 'wilful defaulter' here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Companies Act 2013) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

This disclosure requirement applies to any company that has been declared as a wilful defaulter by any lender who has powers to declare a company as a wilful defaulter at any time during the financial year or after the end of reporting period but before the date when financial statements are approved or in an earlier period and the default has continued for the whole or part of the current year. Such lenders shall include any bank or financial institution or any other lender in which such powers shall be vested pursuant to relevant regulations.

Reserve Bank of India vide its master circular RBI/2014 15/73DBR.No.CID.BC.57/20.16.003/2014-15 dated July 1, 2014 on Wilful Defaulters ("RBI Circular") as updated from time to time has defined that a "wilful default" would be deemed to have occurred if any of the following events is noted:-

(i) The unit has defaulted in meeting its payment / repayment obligations to the lender even when it has the capacity to honour the said obligations.

(ii) The unit has defaulted in meeting its payment / repayment obligations to the lender and has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.

(iii) The unit has defaulted in meeting its payment / repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilised for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.

(iv) The unit has defaulted in meeting its payment / repayment obligations to the lender and has also disposed off or removed the movable or immovable property given by him or it for the purpose of securing a term loan without the knowledge of the bank/lender.

Reserve Bank of India has prescribed a transparent mechanism for identification of wilful defaulters. The term 'lender' appearing in the RBI Circular covers all banks/financial institutions to which any amount is due, provided it is arising on account of any banking transaction, including off balance sheet transactions such as derivatives, guarantee and letter of credit.

It is possible that the company may not have been declared as wilful defaulter as at the date of the balance sheet but has been so declared before the financial statements are approved for issue. A question, therefore, arises whether the reporting under this clause is to be considered as at the balance sheet date or on the date of approval of the financial statements. It is clarified that the events upto date of approval of financial statements should be considered for disclosure under this clause.

(xi) Relationship with Struck off Companies

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956, the company shall disclose the following details:

Name of the struck off company	Nature of transactions with struck off company	Balance outstanding	Relationship with the struck off company, if any, to be disclosed
	Investment in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

This disclosure requires the company to provide details of the balances outstanding in respect of transactions undertaken with a company struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.

When making this disclosure in the financial statements, the company should provide the following information:

(i) *Name of the struck off company* – the company shall disclose the name of the company which has been struck off by the respective Registrar of Companies and such information is available vide public notice (Form No. STK-7) u/s 248 of the Act, at any time during the reporting period or in an earlier reporting period if any balance in respect of the transactions with the struck off company is outstanding at the period end, on the website of Ministry of Corporate Affairs;

(ii) *Nature of transactions with struck off company* – the company shall use the prescribed format in grouping the nature of its transactions with each struck off company. It shall utilise and specify as part of 'other outstanding balances' any other transactions that do not fit into the prescribed categories;

(iii) *Balance outstanding* – the company shall disclose the amount outstanding as the gross carrying amount (without netting the provision for doubtful debts or impairment loss allowance) included in its respective balance sheet; If any transaction with a struck off company has happened during a financial year and settled / reversed /

squared off, etc., during the same financial year such that the balance outstanding is NIL as at the end of the reporting period, the company is required to disclose those transactions as well in the similar format as prescribed below;

(iv) *Relationship with the struck off company, if any, to be disclosed* – the company shall disclose the relationship with the struck off company evaluated as per the definition of 'related party' under section 2(76) of the Act. For the purpose of this disclosure, such relationship between the company and the struck off company should exist as at the respective balance sheet date.

However, when providing the above disclosure, the details should not be included for those companies whose names were struck off during the financial year but an order had been passed by any adjudicating authority (for e.g., NCLT) restoring the company's name before approval of the financial statements.

The illustrative format is as given below:

Name of the struck off company	**Nature of transactions with struck off company**	**Balance outstanding as at current period**	**Relationship with the struck off company, if any, to be disclosed**	**Balance outstanding as at previous period**	**Relationship with the struck off company, if any, to be disclosed**
	Investment in securities				
	Receivables				
	Payables				
	Shares held by struck off company				
	Other outstanding balances (to be specified)				

(xii) Registration of charges or satisfaction with Registrar of Companies (ROC)

Where any charges or satisfaction yet to be registered with ROC beyond the statutory period, details and reasons thereof shall be disclosed.

The Company shall provide the details in relation to each charge or satisfaction that are not registered by the statutory date. Such details may include a brief description of the charges or satisfaction, the location of the Registrar, the period (in days or months) by which such charge had to be registered and the reason for delay in registration.

(xiii) Compliance with number of layers of companies

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship / extent of holding of the company in such downstream companies shall be disclosed.

(xiv) Analytical Ratios

Following analytical ratios need to be disclosed:

(a) Capital to risk-weighted assets ratio (CRAR)

(b) Tier I CRAR

(c) Tier II CRAR

(d) Liquidity Coverage Ratio

An illustrative format for this disclosure is given below:

Ratio	Numerator	Denominator	Current Period	Previous Period	% Variance	Reason for variance (if above 25%)
Capital to risk-weighted assets ratio (CRAR)						
Tier I CRAR						
Tier II CRAR						
Liquidity Coverage Ratio.						

The items that are considered as part of the numerator and as part of the denominator should be such that a reference to the respective line item in the financial statements or notes could be easily drawn. Such items should be consistent for the periods presented and should also be consistent with the industry practice from time to time. In other words, if there is any change in the current period in relation to any item in the numerator or denominator for any ratio, then the same change shall be made for the comparative period as well and a footnote shall be added to explain the change in the item along with the reason thereof.

In order to determine the items to be included in numerator and in denominator for any ratio, reference may be drawn from several sources for e.g., regulatory notification / guidelines / circulars, ratio's usage in common parlance, investor reports, industry reports, market research reports, approach of credit rating agencies, etc. There may be a need to factor in company-specific and sector-specific nuances that may require necessary modifications to the reference considered.

Ratios presented in any other place in annual report should be consistent with the ratios mentioned in financial statement.

Also ratios should be consistent with the formulas prescribed by the applicable regulatory bodies and as updated by the regulatory bodies from time to time.

(xv) Compliance with approved Scheme(s) of Arrangements

Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and 'in accordance with accounting standards' and deviation in this regard shall be explained.

This requirement shall be applicable for schemes that have been approved earlier and have an ongoing accounting impact as on the date of current or comparative period financial statements where such requirements are applied.

Section 232 of the Companies Act, 2013 contains requirement that no compromise or arrangement shall be sanctioned by the competent authority unless a certificate by the company's auditor has been filed to the effect that the accounting treatment, if any, proposed in the scheme of compromise or arrangement is in conformity with the accounting standards prescribed under section 133 of the Companies Act, 2013.

Further, where a law requires a different treatment, accounting standards are considered to be overruled to that extent. A scheme of arrangement sanctioned by the competent authority under prevalent laws will have effect of overriding requirements of the accounting standards where differing requirements are present in sanctioned scheme vis-à-vis the requirement of the relevant accounting standards.

Where an approved Scheme of Arrangement proposes an accounting treatment that is given effect in the Company's books of accounts, then a disclosure shall be made that the effect of the Scheme of Arrangement in the books of accounts is 'in accordance with the Scheme' and 'in accordance with accounting standards'. If there is any deviation between the accounting treatment given in the Scheme and as per the accounting standards, then the fact shall be stated along with an explanation of the deviation.

(xvi) Utilisation of Borrowed funds and share premium

(A) Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other source or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall:

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries,

the company shall disclose the following:

(I) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.

(II) date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries along with complete details of the ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries.

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and the Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

(B) Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall:

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries,

the company shall disclose the following:

(I) date and amount of fund received from Funding parties with complete details of each Funding party.

(II) date and amount of fund further advanced or loaned or invested in other intermediaries or Ultimate Beneficiaries along with complete details of the other intermediaries' or ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries.

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

The term Intermediary is not defined in the Act. The identification of any other person(s) or entity(ies), including foreign entities as an intermediary shall be made on the basis of their objective of receiving funds by way of advance or loan or investment from the company with the understanding that they / it shall

(i) directly (i.e. without any further intermediaries) or indirectly (i.e. through further intermediaries) lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries); or

(ii) provide any guarantee (viz. corporate, bank, personal or any other form of guarantee), security or the like (i.e. it may include any assets, comfort letter, Letter of Credit, Buyers credit, promissory note etc.) to or on behalf of the Ultimate Beneficiaries,

The ultimate beneficiary is the company (irrespective of single intermediary or multiple intermediaries used in the layer), when disclosure is to be made for the utilisation of funds.

The term Funding Party is not defined in the Act. The identification of any person(s) or entity(ies), including foreign entities as a Funding Party shall be made on the basis of their objective of providing funds to the company with the understanding that they / it shall

(i) directly (i.e. without any further funding party) or indirectly (i.e. through further funding party) lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries); or

(ii) provide any guarantee (viz. corporate, bank, personal or any other form of guarantee), security or the like (i.e. it may include any assets, comfort letter, Letter of Credit, Buyers credit, promissory note etc.) to or on behalf of the Ultimate Beneficiaries,

The ultimate beneficiary is the funding party (in case of single layer) or the ultimate funding party (in case of multiple layers), when disclosure is to be made for the receipt of funds.

This disclosure requires company to cover transactions that do not take place directly between the company and the ultimate beneficiary but are camouflaged by including a pass- through entity in order to hide the ultimate beneficiary. The pass-through entity acts on the instructions of the company for channelling the funds to the ultimate beneficiary as identified by the company. It might be noted that the reporting obligation includes inbound as well as outbound funding transactions. It is implied that advances given or received in the ordinary course of business (e.g., advance to employees, advance to customers or suppliers against provision of goods or services, etc.) shall not be covered as part of this disclosure requirement.

For the purpose of this disclosure, the company may restrict to disclose only the pass through transactions during the current year i.e. for the funds received on or after 01.4.2021 and the amounts unutilized as on 01.04.2021 which are now utilized in the current year.

When providing this disclosure, the term 'complete details' used at various places would mean that details of each particular party / entity should include the name, registered address, any government identification number (for e.g., PAN, SSN, CIN etc.) and relationship with the company making the disclosure.

The term 'with the understanding (whether recorded in writing or otherwise)' shall be construed basis appropriate evidences for e.g., board or shareholder resolutions, investment agreements, share purchase agreements, term sheets, or any other relevant / appropriate documents evidencing such an understanding either specifically in writing or otherwise (i.e. not specifically but through the objective / understanding of the overall transaction / flow of funds).

EQUITY

8.2.13 Equity

Under this head, following line items are to be disclosed on the face of the Balance Sheet:

- Equity Share Capital and
- Other Equity;

Division III to Schedule III, Part I – Format of Balance Sheet, includes not only the format of Balance Sheet but also includes a 'Statement of Changes in Equity' comprising (A) Equity Share Capital and (B) Other Equity. Presentation and Disclosures for both of these are included in Note (S) and (T) to General Instructions for Preparation of Balance Sheet.

In the Statement of Changes in Equity, the portion for 'Equity Share Capital' provides reconciliation for current/previous reporting period:

(a) Balance at the beginning of the current / previous reporting period;

(b) Changes in equity share capital due to prior period errors;

(c) Restated balance at the beginning of the current/previous reporting period,

(d) Changes in Equity share capital during the current/previous year;

(e) Balance at the end of the current/previous reporting period.

As a part of Statement of Changes in Equity, the portion for 'Other Equity' requires an entity to provide a reconciliation during a particular reporting period, as a part of one single statement, of all items other than equity share capital, that are attributable to the holders of equity instruments of an entity. The items included in columnar form are listed below:

(a) Share application money pending allotment;

(b) Equity component of compound financial instruments;

(c) Reserves and Surplus:

  (i) Capital Reserve;

  (ii) Securities Premium;

  (iii) Other Reserves (specify nature);

  (iv) Retained Earnings;

(d) Debt instruments at fair value through other comprehensive income;

(e) Equity instruments at fair value through other comprehensive income;

(f) Effective portion of Cash Flow Hedges;

(g) Revaluation Surplus;

(h) Exchange differences on translating the financial statements of a foreign operation;

(i) Other items of other comprehensive income (specify nature);

(j) Money received against share warrants;

(k) Non-controlling interests (for Statement of Changes in Equity of Consolidated Financial Statements)

The reconciliation of above line items needs to be provided for current/previous reporting period by way of the following line items:

(i) Balance at the beginning of the current / previous reporting period;

(ii) Changes in accounting policy or prior period errors;

(iii) Restated balance at the beginning of the current/previous reporting period;

(iv) Total comprehensive income for the current / previous year;

(v) Dividends;

(vi) Transfer to retained earnings;

(vii) Any other change (to be specified);

(viii) Balance at the end of the current/previous reporting period.

Reconciliation as described in Paragraph 109 of Ind AS 1 provides that, "*changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners acting in their capacity as owners (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period.*"

Schedule III provides two options for presentation of re-measurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss:

(i) recognise as a part of retained earnings with separate disclosure of such items along with the relevant amounts in the Notes

(ii) shown as a separate column under Reserves and Surplus

The above two items are initially taken to Other Comprehensive Income in the Statement of Profit and Loss.

8.2.14. Equity Share Capital

8.2.14.1 Notes to the General Instructions for Preparation of Balance Sheet require a company to disclose in the Notes items referred to in Note (S). Such disclosures are required for each class of equity share capital. The disclosure requirements for share capital are common under Non-Division III to Schedule III as well as Division III to Schedule III. However, Division III restricts the disclosures to 'Equity' while Division I makes it applicable to all kinds of 'Share Capital' but states an exception that different classes of preference shares are to be treated separately.

8.2.14.2 As per ICAI Glossary of Terms Used in Financial Statements, 'Capital' is defined as "*Under a financial concept of capital, such as invested money or invested purchasing power, capital is synonymous with the net assets or equity of the enterprise. Under a physical concept of capital, such as operating capability, capital is regarded as the productive capacity of the enterprise based on, for example, units of output per day*"

8.2.14.3 The said Guidance Note defines 'Share Capital' as the *"aggregate amount of money paid or credited as paid on the shares and/or stocks of a corporate enterprise."*

8.2.14.4 Section 2(84) of the Act defines "share" as "*a share in the share capital of a company and includes stock"*. While, section 2(30) of the Act defines "debenture" to "*include debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not"*. Further, section 43 of the Act gives two kinds of share capital of a company limited by shares viz.,

(a) Equity share capital;

(b) Preference share capital.

8.2.14.5 On the other hand, Ind AS 32 defines an equity instrument as "*any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities"*. The accounting definition of 'Equity' is principle based as compared to the legal definition of 'Equity' or 'Share', such that any contract that evidences residual interest in an entity's net assets is termed as 'Equity' irrespective of whether it is legally recognized as a 'Share' or not. Accordingly, all instruments (including convertible preference shares and convertible debentures) that meet the definition of 'Equity' as per Ind AS 32 in its entirety and when they do not have any component of liability, should be considered as having the nature of 'Equity' for the purpose of Division III to Schedule III. Such instruments shall be termed as 'Instruments entirely equity in nature'.

As per Paragraph 11 of Ind AS 32 *"The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument."* A preference share, for example, may display either equity or liability characteristics depending on the substance of the rights attaching to it.

8.2.14.6 Instruments entirely equity in nature, may be presented as a separate line item on the face of the Balance Sheet under 'Equity' after 'Equity Share Capital' but before 'Other Equity', as shown below:

Name of the Company……….

Balance Sheet as at……………

(Rupees in…………)

	Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	EQUITY AND LIABILITIES			
	Equity			
	(a) Equity Share Capital			
	(b) Instruments entirely equity in nature			
	(c) Other Equity			

In the Statement of Changes in Equity, the reconciliation for instruments entirely equity in nature should be presented as below:

STATEMENT OF CHANGES IN EQUITY

Name of the Company…………………..

(Rupees in……………)

A. Equity Share Capital

(1) Current reporting period

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period

(2) Previous reporting period

Balance at the beginning of the previous reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in equity share capital during the previous year	Balance at the end of the previous reporting period

B. Instruments entirely equity in nature *

(a) Compulsorily Convertible Preference Shares

Balance at the beginning of the current reporting period	Changes in compulsorily convertible preference shares due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in compulsorily convertible preference shares during the current year	Balance at the end of the current reporting period

(b) Compulsorily Convertible Debentures

Balance at the beginning of the current reporting period	Changes in compulsorily convertible debenture due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in compulsorily convertible debentures during the current year	Balance at the end of the current reporting period

(c) [Instrument] (Any other instrument entirely equity in nature)

Balance at the beginning of the current reporting period	Changes in Instrument due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in [Instrument] during the period	Balance at the end of the reporting period

Similar reconciliation needs to be provided for previous year as well.

C. Other Equity

[Table providing reconciliation of Other Equity]

** It is assumed that Instruments entirely equity in nature have such terms and conditions that qualify them for being entirely equity in nature based on the criteria given in Paragraph 16 of Ind AS 32. It is assumed that Compulsorily Convertible Preference Shares and Compulsorily Convertible Debentures in the above illustrative disclosure qualify for classification as entirely equity; however, companies should assess terms and conditions specific to their instruments for deciding whether they are entirely equity in nature.*

All the disclosures as required by Note (S) to General Instructions in Preparation of Balance Sheet shall be provided for all instruments entirely equity in nature, to the extent applicable.

8.2.14.7 Premium received on Compulsorily Convertible Preference Shares which are entirely equity in nature shall be classified and presented as a part of 'Other Equity' under 'Securities Premium'.

8.2.14.8 As per Paragraph 28 of Ind AS 32, *"The issuer of a non-derivative* financial *instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. Such components shall be classified separately as financial liabilities, financial assets or equity instruments in accordance with paragraph 15"*. Hence, all those compound financial instruments which have both 'Equity' and 'Liability' components, shall be split and their 'Equity component' shall be presented under 'Other Equity' portion of Statement of Changes in Equity while their

'Liability component' shall be presented as a separate line item under either 'Debt Securities' or 'Borrowings'.

8.2.14.9 Division III to Schedule III, Notes 3 and 4 of Other Classification related General Instructions highlight that the disclosure and presentation requirements as applicable to the relevant class of 'Equity' or 'Liability' shall be applicable *mutatis mutandis* to the instruments (including, their components) classified and presented under the relevant heads in 'Equity' and 'Liabilities'. Accordingly, it is recommended that the companies provide all the relevant disclosures for 'Equity component of a compound financial instruments' as applicable to 'Equity Share Capital' (given in Note (S) of General Instructions for Preparation of Balance Sheet), to the extent applicable. An example could be to disclose, for equity component of a compound financial instrument, terms as per Clause (j) (referred to in Para no. 8.2.14.19 at Pg 92) i.e. terms of any securities convertible into equity shares issued along with the earliest date of conversion in descending order starting from the farthest such date, etc. For the liability component of compound financial instruments, all the disclosures applicable to 'Debt Securities' and 'borrowings' (refer Paragraph 8.2.2 and 8.2.3) shall be made, to the extent applicable. An example could be to disclose the rate of interest, particulars of redemption or conversion stated in descending order of maturity or conversion, etc. However, for those instruments which are entirely liability in nature, all disclosures applicable to 'Borrowings' or 'Debt Securities' should be made.

8.2.14.10 Clause (a) of Note (S) - the number and amount of shares authorized:

As per the ICAI's Glossary of Terms Used in Financial Statements, 'Authorised Share Capital' or "nominal capital" *means such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of the company"*

This disclosure is to be provided for instruments entirely equity in nature as well as for compound instruments that have an equity component, to the extent applicable.

8.2.14.11 Clause (b) of Note (S) - the number of shares issued, subscribed and fully paid, and subscribed but not fully paid:

The disclosure is for shares:

- Issued;

- Subscribed and fully paid;
- Subscribed but not fully paid.

Though the disclosure is only for the number of shares under each of the above three categories, to make the disclosure relevant to understanding the company's share capital, even the amount for each category above should be disclosed. Issued shares are those which are offered for subscription within the authorised limit. It is possible that all shares offered are not subscribed to and to the extent of unsubscribed portion, there will be difference between shares issued and subscribed. As per the ICAI's Glossary of Terms Used in Financial Statements, the expression 'Subscribed Share Capital' means *"such part of the capital which is for the time being subscribed by the members of a company;"*

Though there is no requirement to disclose the amount per share called, if shares are not fully called, it should be appropriate to state the amount per share called.

As per the definition contained in the Glossary of Terms Used in Financial Statements, the expression 'Paid-up Share Capital' *or* "share capital paid-up" means *"such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid up in respect of shares issued and also includes any amount credited as paid-up in respect of shares of the company, but does not include any other amount received in respect of such shares, by whatever name called"*

This disclosure is to be provided for instruments entirely equity in nature as well as for compound instruments that have an equity component, to the extent applicable.

8.2.14.12 Clause (c) of Note (S) – par value per share:

Par value per share is the face value of a share as indicated in the Capital Clause of the Memorandum of Association of a company. It is also referred to as '*face value'* per share. In the case of a company having share capital, (unless the company is an unlimited company), the Memorandum shall also state the amount of share capital with which the company is registered and their division thereof into shares of fixed amount as required under clause (e)(i) to the sub-section (1) of section 4 of the Act. In the case of a company limited by guarantee, Memorandum shall state that each member undertakes to contribute to the assets of the company in the event of winding-up while he is a member or within one year after he ceases to be a member, for payment of debts and liabilities of the company, as the case may be. There is no specific mention for the disclosure by companies limited by guarantee and having share capital, and companies limited by guarantee and not having share capital. Such companies need to consider the requirement so as to disclose the amount each member undertakes to contribute as per their Memorandum of Association.

This disclosure is to be provided for instruments entirely equity in nature as well as for compound instruments that have an equity component, to the extent applicable.

8.2.14.13 Clause (d) of Note (S)– a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period:

As per Division III to Schedule III, opening number of shares outstanding, shares issued, shares bought back, other movements, etc. during the year and closing number of outstanding shares should be shown. Though the requirement is only for a reconciliation of the number of shares, as given for the disclosure of issued, subscribed capital, etc. [Clause (b) of Note (S)] above, to make the disclosure relevant for understanding the company's share capital, the reconciliation is to be given even for the amount of share capital. Reconciliation for the comparative previous period is also to be given. Further, the above reconciliation should be disclosed separately for each class of Equity Shares issued.

This disclosure is to be provided for instruments entirely equity in nature. Also, for compound instruments having both equity and liability components, the reconciliation should be given for total number of shares / debentures outstanding, which will facilitate understanding the movement of compound instruments upon either redemption or conversion or when both occur partly.

8.2.14.14 Clause (e) of Note (S)– the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital:

As per the

ICAI's Glossary of Terms Used in Financial Statements, the expression 'Preference Share Capital' refers to *"a preference share is a share carrying preferential rights to dividends and repayment of capital."*

The Glossary of Terms used in Financial Statement has also defined the expression 'Preference Share Capital" as *"preference share capital", with reference to any company limited by shares, means that part of the issued share capital of the company which carries or would carry a preferential right with respect to—*

(a) payment of dividend, either as a fixed amount or an amount calculated at a fixed rate, which may either be free of or subject to income-tax; and

(b) repayment, in the case of a winding up or repayment of capital, of the amount of the share capital paid-up or deemed to have been paid-up, whether or not, there is a preferential right to the payment of any fixed premium or premium on any fixed scale, specified in the memorandum or articles of the company;"

The rights, preferences and restrictions attached to shares are based on the classes of shares, terms of issue, etc., whether equity or preference. In respect of Equity Share Capital, it may be with voting rights or with differential voting rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed under Companies (Share Capital and Debentures) Rules, 2014. In respect of Preference Shares, the rights include (a) with respect to dividend, a preferential right to be paid a fixed amount or at a fixed rate and, (b) with respect to capital, a preferential right of repayment of amount of capital on winding up. For Compulsorily Convertible Debentures, the rights could be with the holder to convert into Equity Shares.

This disclosure is to be provided for instruments entirely equity in nature as well as for compound instruments that have an equity component, to the extent applicable.

8.2.14.15 Clause (f) of Note (S)– shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate:

The requirement is to disclose shares of the company held by -

- Its holding company;
- Its ultimate holding company;
- Subsidiaries of its holding company;
- Subsidiaries of its ultimate holding company;

- Associates of its holding company; and
- Associates of its ultimate holding company.

Aggregation should be done for each of the above categories.

The terms 'subsidiary' and 'associate' should be understood as defined under Ind AS 110 and Ind AS 28. The term 'holding company' is not defined in Ind AS, therefore, it may be referred from the definition as per Section 2 (46) of the Act. The equivalent term 'parent' is defined in Ind AS 110. Notwithstanding the aforesaid definitions, for the purposes of the above disclosures, shares held by the entire chain of subsidiaries and associates starting from the holding company and going right up to the ultimate holding company would have to be disclosed.

In case of a joint arrangement viz., a joint venture or a joint operation conducted through a separate legal entity, disclosure may be made for shares of such joint arrangement held by its venturers.

This disclosure is to be provided for instruments entirely equity in nature, to the extent applicable.

8.2.14.16 Clause (g) of Note (S)–shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held:

In the absence of any specific indication of the date of holding, the date for computing such percentage should be taken as the Balance Sheet date. For example, if during the year, any shareholder held more than 5% Equity shares but does not hold as much at the Balance Sheet date, disclosure is not required. Though it is not specified as to whether the disclosure is required for each class of shares or not, companies should disclose the shareholding for each type of Equity Instruments. Accordingly, such percentage should be computed separately for each class of shares outstanding within Equity Shares. This information should also be given for the comparative previous period.

This disclosure is to be provided for instruments entirely equity in nature, to the extent applicable.

8.2.14.17 Clause (h) of Note (S)– shares reserved for issue under options and contracts or commitments for the sale of shares or disinvestment, including the terms and amounts:

Shares under options generally arise under promoters or collaboration agreements, loan agreements or debenture deeds (including convertible debentures), agreement to convert preference shares into equity shares, ESOPs or contracts for supply of capital goods, etc. The disclosure would be required for the number of shares, amounts and other terms for shares so reserved. Such options are in respect of unissued portion of share capital.

This disclosure is to be provided for instruments entirely equity in nature as well as for compound instruments that has an equity component and liability component, to the extent applicable.

8.2.14.18 Clause (i) of Note (S) – For the period of five years immediately preceding the date as at which the Balance Sheet is prepared: (a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash. (b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares. (c) Aggregate number and class of shares bought back:

(a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.

The following illustrate the allotments which are considered as shares allotted for payment being received in cash and not as without payment being received in cash and accordingly, the same are not to be disclosed under this Clause:

(i) If the subscription amount is adjusted against a *bona fide* debt payable in money at once by the company;

(ii) Conversion of loan into shares in the event o*f default* in repayment.

(b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares.

As per the Glossary of Terms Used in Financial Statements, 'Bonus shares' are defined as shares allotted by capitalisation of the reserves or surplus of a corporate enterprise. The requirement of disclosing the source of bonus shares is omitted in Schedule III.

(c) Aggregate number and class of shares bought back.

The total number of shares bought back for each class of shares needs to be disclosed.

All the above details pertaining to aggregate number and class of shares allotted for consideration other than cash, bonus shares and shares bought back need to be disclosed only if such event has occurred during a period of five years immediately preceding the Balance Sheet date. Since disclosure is for the aggregate number of shares, it is not necessary to give the year-wise break-up of the shares allotted or bought back, but the aggregate number for the last five financial years needs to be disclosed.

This disclosure is to be provided for instruments entirely equity in nature, to the extent applicable.

8.2.14.19 Clause (j) of Note (S)– Terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date:

Under this Clause, disclosure is required for any security, when it is either convertible into equity or preference shares. In this case, terms of such securities and the earliest date of conversion are required to be disclosed. If there are more than one date of conversion, disclosure is to be made in the descending order of conversion. If the option can be exercised in different periods then earlier date in that period is to be considered. In case of compulsorily convertible securities, where conversion is done in fixed tranches, all the dates of conversion have to be considered. Terms of convertible securities are required to be disclosed under this Clause. However, in case of Convertible debentures/bonds, etc., for the purpose of simplification, reference may also be made to the terms disclosed under the note on borrowings where these are required to be classified in the Balance Sheet, rather than disclosing the same again under this clause.

This disclosure is to be provided for instruments entirely equity in nature and compound instruments that have an equity component and a liability component. In other words, this disclosure is not required for instruments entirely liability in nature (for e.g., those instruments which entirely meet the definition of a financial liability as per Paragraph 11 of Ind AS 32) since similar disclosure needs to be provided as a part of 'Borrowings'. Accordingly, duplication of disclosures is not intended.

8.2.14.20 Clause (k) of Note (S) - Calls unpaid (showing aggregate value of calls unpaid by directors and officers):

A separate disclosure is required for the aggregate value of calls unpaid by directors and also officers of the company.

However, the unpaid amount towards shares subscribed by the subscribers of the Memorandum of Association should be considered as 'subscribed and paid-up capital' in the Balance Sheet and the debts due from the subscriber should be appropriately disclosed as an asset in the balance sheet.

This disclosure is to be provided for instruments entirely equity in nature, to the extent applicable.

8.2.14.21 Clause (m) of Note (S) - An NBFC shall disclose information that enables users of its financial statements to evaluate the NBFC's objectives, policies and processes for managing capital.

Paragraph 134 of Ind AS 1 also requires an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Hence guidance as stated in Paragraph 135 and 136 of Ind AS 1 may be referred upon for this disclosure.

8.2.14.22 Clause (n) of Note (S) - Disclosure of Shareholding of Promoters

For the purpose of disclosure, promoter definition should be considered as per the Companies Act, 2013. The prescribed format requires disclosure only in respect of shares held at the end of the year, however, companies should also disclose number and percentage of shares at the beginning of the year as additional columns in order to facilitate an understanding of the percentage change during the year.

Percentage change during the year needs to be computed with respect to shares held at the beginning of the year or where shares have been issued for the first time during the reporting period, such percentage change needs to be computed from date of such issuance. For e.g., if the shares have been issued for the first time in the month of August; then the opening date should be construed from August rather than April, which implies that if from the month of August till March there has been no change, then the % change will be shown as "NIL".

This disclosure shall be made separately for each class of shares outstanding, similar to the disclosure made for shareholders under other clauses (for e.g., clause (g) of Note 6(D)(I)).

The percentage of total shares for a particular class of shares should be calculated considering the total number of shares issued by the Company for that particular class.

This disclosure is to be provided for instruments entirely equity in nature, to the extent applicable.

In case of restatement due to prior period error, the column/line items 'balance at the beginning of the current reporting period/previous reporting period' in the statement of changes in equity shall include the balances as originally presented in the previous years' financial statements. The adjustments on account of correction of prior period errors should be included in the column/line items 'changes due to prior period errors' to arrive at restated balance at the beginning of respective period.

8.2.15 Other Equity

Note (T) of the General Instructions for Preparation of Balance Sheet deals with the disclosures of "Other Equity" in the Notes. Disclosure should be made for the nature and amount of each item.

Disclosures in 'Other Equity' are required to be made for the following:

(i) *Share application money pending allotment*

Share Application money pending allotment is to be disclosed as a separate line item under Other Equity. Note 2 of Other Classification related General Instructions states that share application money pending allotment shall be classified into equity or liability in accordance with relevant Ind AS. Share application money to the extent not refundable shall be shown in this line item and share application money to the extent refundable shall be separately shown under 'other financial liabilities'.

(ii) *Equity component of compound financial instruments*

For compound financial instruments that have both equity as well as liability component, Ind AS 32 requires splitting the two components and separately recognizing 'equity component of compound financial instrument'. Such equity component is required to be presented as a part of 'Other Equity' under this head. On the other hand, the 'liability component of compound financial instrument' is required to be presented as a part of 'Borrowings' (refer Paragraph 8.2.3 at Pg 44.). For recommended disclosures for equity component of compound financial instruments, refer to the guidance given in Paragraph 8.2.14.8 (Pg 85).

(iii) *Reserves and Surplus – these shall be further disclosed as (discussed in Paragraph 8.2.15.1 at Pg 97):*

  (a) Capital Reserve;

  (b) Securities Premium;

  (c) Other Reserves

    (i) Capital Redemption Reserve;

    (ii) Debenture Redemption Reserve;

    (iii) Share Options Outstanding Account;

    (iv) Statutory Reserves;

    (v) Others – (specify the nature and purpose of each reserve and the amount in respect thereof);

  (d) Retained Earnings.

(iv) *Debt Instruments through Other Comprehensive Income* –

As per Ind AS 109, investments are subsequently measured at FVOCI based on the company's business model for managing the portfolio of debt instruments as well as the debt instruments' contractual cash flow characteristics. Any fair value gain or loss on debt instruments measured at FVOCI is presented as a part of Other Equity under this heading until the debt instrument is derecognized;

(v) *Equity Instruments through Other Comprehensive Income* –

As per Ind AS 109, companies have an irrevocable option to designate investments in equity instruments to be measured at FVOCI. For such instruments, the cumulative fair value gain or loss is presented as a part of Other Equity under this heading;

(vi) *Effective portion of Cash Flow Hedges* –

For all qualifying cash flow hedges, this component of Other Equity associated with the hedged item (i.e. cash flow hedge reserve) is adjusted to the lower of the cumulative change in the fair value of the hedging instrument and the cumulative change in the fair value of the hedged item attributable to the hedged risk. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (i.e. the portion that is offset by the change in the cash flow hedge reserve) is recognized in Other Comprehensive Income. Also, Ind AS 109 requires that exchange differences on monetary items that qualify as hedging instruments in a cash flow hedge are recognized initially in other comprehensive income to the extent that the hedge is effective;

(vii) *Revaluation Surplus* –

As per Ind AS 16 and Ind AS 38, if an asset's carrying amount is increased as a result of revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, such increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

Correspondingly, decreases as a result of revaluation are recognized in other comprehensive income thereby reducing the amount accumulated under this heading of revaluation surplus, to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(viii) *Exchange differences on translating the Financial Statements of a foreign operation* –

In accordance with *Ind AS 21 The Effects of Changes in Foreign Exchange Rates*, the exchange differences arising on translation of the financial statements of foreign operation from functional currency to presentation currency needs to be included in this head of OCI.

(ix) *Other items of Other Comprehensive Income (specific nature)*

Any other items that need to be presented in Other Comprehensive Income as per the relevant Ind AS shall be included under this head of Other Comprehensive Income.

Refer Paragraph 8.2.15.3 (Pg 100) for guidance on presentation of 're-measurement of defined benefit plans'.

(x) *Money received against share warrants*

Generally, in case of listed companies, share warrants are issued to promoters and others in terms of the Guidelines for preferential issues viz., SEBI (Issue of Capital and Disclosure Requirements), Guidelines, 2009. *Ind AS 33, Earnings per Share,* defines 'warrants' as "financial instruments which give the holder the right to acquire equity shares". Thus, effectively, warrants are nothing but the amount which would ultimately form part of the Shareholders' funds. Since shares are yet to be allotted against the same, these are not reflected as part of Share Capital but as a separate line item – 'Money received against share warrants.'

8.2.15.1 Reserves & Surplus:

Ind AS 103, Appendix C on Business Combinations under Common Control defines the term 'Reserve' as *"the portion of earnings, receipts or other surplus of an entity (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation."* 'Reserves' should be distinguished from 'provisions'. For this purpose, reference may be made to the definition of the term 'provision' in *Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets.*

As per *Ind AS 37*, *a 'provision' is "a liability of uncertain timing or amount". A 'liability' is "a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits." 'Present obligation' – "an obligation is a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period".*

(a) Capital Reserves:

It is necessary to make a distinction between capital reserves and revenue reserves in the accounts. A revenue reserve is a reserve which is available for distribution. The term "Capital Reserve" has not been defined under Division III to Schedule III. However, as per the ICAI's Glossary of Terms Used in Financial Statements, the expression 'capital reserve' is defined as "a reserve of a corporate enterprise which is not available for distribution as dividend". Though Division III to Schedule III does not have the requirement of "transferring capital profit on reissue of forfeited shares to capital reserve", since profit on re-issue of forfeited shares is basically transaction with the shareholders / owners of the entity, it should be recognized in equity as a credit to Capital Reserve.

A gain on bargain purchase arising in a business combination where clear evidence of the underlying reasons does not exist, shall be recognized directly in equity as Capital Reserve as per Paragraph 36 of Ind AS 103. Further as per Paragraph 34 of Ind AS 103 where clear evidence of the underlying reasons exists the acquirer shall recognise the resulting gain in other comprehensive income on the acquisition date and accumulate the same in equity as capital reserve.

(b) Securities Premium:

The Glossary of Terms Used in Financial Statements defines 'Share Premium' as *"the excess of the issue price of shares over their face value."*

Other Reserves (specify the nature and purpose of reserve and the amount in respect thereof):

Every other reserve which is not covered in above paragraphs is to be reflected as 'Other Reserves'. However, since the nature, purpose and the amount are to be shown, each reserve under 'Other Reserves' is to be shown separately in Notes to Accounts. This would include e.g., reserves to be created under other statutes.

(i) Capital Redemption Reserve:

Under the Act, Capital Redemption Reserve is required to be created in the following two situations:

(a) Under the provisions of Section 55 of the Act, where the redemption of preference shares is out of profits, an amount equal to nominal value of shares redeemed is to be transferred to a reserve called 'capital redemption reserve'.

(b) Under Section 69 of the Act, if the buy-back of shares is out of free reserves, the nominal value of the shares so purchased is required to be transferred to capital redemption reserve from distributable profit.

(ii) Debenture Redemption Reserve:

According to Section 71 of the Act where a company issues debentures, it is required to create a debenture redemption reserve for the redemption of such debentures. The company is required to credit adequate amounts, out of its profits every year to debenture redemption reserve, until such debentures are redeemed.

On redemption of the debentures for which the reserve is created, the amounts no longer necessary to be retained in this account need to be transferred to the Retained Earnings. The Ministry of Corporate Affairs on 19th August 2019 has amended the Companies (Share Capital & Debentures) Rules by removing Debenture Redemption Reserve requirement for Listed Companies, NBFCs and HFCs.

(iii) Share Options Outstanding Account:

Division III to Schedule III requires Share Options Outstanding Account to be shown as a part of 'Reserves and Surplus' under 'Other Reserves'.

(iv) Statutory Reserves:

Division III to Schedule III requires Statutory Reserves to be shown as a part of 'Reserves and Surplus' under 'Other Reserves'. For instance, Section 29C (i) of The National Housing Bank Act, 1987 defines that every housing finance institution which is a Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. For this purpose, any special reserve created by the Company under Section 36(1) (viii) of Income tax Act 1961, is considered to be an eligible transfer.

Similarly, section 45-IC of Reserve Bank of India Act, 1934 requires every non-banking financial company to create a reserve fund to transfer a sum not less than twenty per cent of its net profit every year as disclosed in the profit and loss account and before any dividend is declared.

Thus, the amounts transferred to such reserve and the nature and purpose of the reserve shall be disclosed.

(c) Additions and deductions since the last Balance Sheet to be shown under each of the specified heads:

This requires the company to disclose the movement in each of the reserves and surplus since the last Balance Sheet.

Further, as per Division III to Schedule III, a reserve specifically represented by earmarked investments shall disclose the fact that it so represented.

(d) Debit balance of Statement of Profit and Loss and negative balance of Other Equity:

Debit balance of Statement of Profit and Loss which would arise in case of accumulated losses, is to be shown as a negative figure under the head 'Retained Earnings'. The aggregate amount of the balance of 'Other Equity', is to be shown after adjusting negative balance of retained earnings, if any. If the net result is negative, the negative figure is to be shown under the head 'Other Equity'.

8.2.15.2 Gain/Loss on changes in the proportion held by non-controlling interests

Ind AS 110, Paragraph B96 requires that an entity shall recognize directly in 'Equity' any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

Ind AS 1, Paragraph 106(d)(iii) requires that for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from changes in ownership interests in subsidiaries that do not result in a loss of control, shall be made.

For such difference, which is a gain / loss on changes in the proportion held by non-controlling interests, Ind AS does not specify whether such gain / loss should be presented separately under 'Capital Reserve' or under 'Other Reserves'. Division III to Schedule III also does not specify anything in this regard. An entity may present such gain / loss separately as 'Gain/Loss on change in proportion held by NCI' shown under 'Other Reserves' by specifying the nature.

8.2.15.3 Reconciliation of items in Other Equity

Reconciliations for each component of other equity, both for the current period and previous period are required to be made in the following manner (to the extent applicable):

(i) Balance at the beginning of the reporting period

(ii) Changes in accounting policy or prior period error

(iii) Restated balance at the beginning of the reporting period

(iv) Total Comprehensive Income for the year

(v) Dividends

(vi) Transfer to retained earnings

(vii) Any other change (to be specified)

(viii) Balance at the end of reporting period

Apart from the above items, Division III to Schedule III requires that:

- Re-measurement of defined benefit plans; and
- Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss, shall be recognised as a part of retained earnings with separate disclosure of such items along with the relevant amounts in the Notes or shall be shown as a separate column under Reserves and Surplus.

Ind AS 19 requires that re-measurements of the net defined benefit liability (asset) recognized in other comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, the entity may transfer those amounts recognized in other comprehensive income within equity.

Division III to Schedule III requires 're-measurements of defined benefit plans' during the reporting period to be shown as a separate line item in other comprehensive income. (Refer Paragraph 10.2)

As per Division III to Schedule III requirement mentioned above, such re-measurements of defined benefit plans, shall be recognized as a part of retained earnings with separate disclosure of this item along with the relevant amounts in the Notes to Accounts. Alternatively, it can also be presented as a separate column under Reserves and Surplus.

Accordingly, a company shall present the re-measurements of defined benefit plans at the end of each reporting period as a part of retained earnings or separately under Reserves and Surplus

8.3 Regulatory Deferral Account Balances

Regulatory Deferral Account Balances are defined in Ind AS 114 as those arising when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

Note 5 of Other Classification Related General Instructions requires Regulatory Deferral Account Balances to be presented in the Balance Sheet in accordance with the relevant Ind AS.

Accordingly, as per Ind AS 114, the separate line items for the totals of all regulatory deferral account debit balances and the totals of all regulatory deferral account credit balances shall be distinguished from the assets and liabilities that are presented in accordance with other Standards by the use of sub-totals, which are drawn before the regulatory deferral account balances are presented.

8.4 Presentation of earlier comparative period

Note 1 to Other Classification Related General Instructions states that when a company applies an accounting policy retrospectively or makes a restatement of items in the financial statements or when it reclassifies items in its financial statements, the company shall attach to the Balance Sheet, a Balance Sheet as at the beginning of the earliest comparative period presented.

Similar requirement is also in Paragraph 40A of Ind AS 1, which requires an entity to present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements required if:

(a) An entity applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

(b) The retrospective application, retrospective restatement or the reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period.

Further, para 41 of Ind AS 1 require an entity to reclassify comparative amounts, unless impracticable, if an entity changes the presentation or classification of items in its financial statements of the current reporting period.

However, MCA notified amendments to Division III - Schedule III would result in the Company either changing the presentation or classification of certain line items in its financial statements. Such changes result in providing additional information to the users of the financial statements and are required to be made by Companies in order to comply with the statutory requirements of Division III - Schedule III. The company may not present a third balance sheet as at the beginning of the preceding period when preparing financial statements in line with the amended requirements of Division III - Schedule III,

9. Part II – Statement of Profit and Loss and Notes – General Instructions for Preparation of Statement of Profit and Loss: Notes 1 to 10

Part II deals with disclosures relating to the Statement of Profit and Loss. The format prescribed is the vertical form wherein disclosures for revenues and expenses have been given in various line items. Part II contains items I to XVIII which lists items of Revenue, Expenses, Profit / (Loss) and Other Comprehensive Income. "General Instructions for Preparation of Statement of Profit and Loss" govern the other disclosures and presentation aspects related to the Statement of Profit and Loss.

As per Note 1 of "General Instructions for Preparation of Statement of Profit and Loss", the provisions of this part also apply to the income and expenditure account referred to in sub-clause (ii) of clause (40) of section 2 of the Act in the same manner as they apply to a Statement of Profit and Loss.

As per Note 2 of "General Instructions for Preparation of Statement of Profit and Loss", the Statement of Profit and Loss shall include:

(1) Profit or loss for the period;

(2) Other Comprehensive Income for the period.

The sum of (1) and (2) above is 'Total Comprehensive Income'.

'Profit or Loss' is defined in Ind AS 1 as '*the total of income less expenses, excluding the components of other comprehensive income*.

'Other comprehensive income' is defined in Ind AS 1 as '*comprising items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Ind ASs*.

Other comprehensive income shall be presented as:

(a) Items that will not be reclassified to profit or loss and its related income tax effects;

(b) Items that will be reclassified to profit or loss and its related income tax effects.

'Reclassification adjustments' are defined in Ind AS 1 as *amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.*

The Statement of Profit and Loss is a single statement of profit and loss, with profit or loss and other comprehensive income presented in two sections, as per Part II of Division III to Schedule III. The sections are presented together, with the profit or loss section presented first followed directly by the other comprehensive income section. This is in sync with Paragraph 10A of Ind AS 1.

Ind AS 1 prohibits an entity from presenting any items of income or expense as extraordinary items, in the statement of profit and loss or in the notes. Accordingly, there are no line items like 'Extraordinary items' and 'Profit before extraordinary items and tax' in this Schedule.

The specific format laid down for presentation of various items of Income and Expenses in the Statement of Profit and Loss indicates that expenses should be aggregated based on their nature, which is in sync with Ind AS 1 Paragraph 99. Accordingly, functional classification of expenses is prohibited.

As per the Ind AS Framework for the Preparation and Presentation of Financial Statements, income and expenses are defined as follows:

(a) *Income* encompasses is increases in assets, or decreases in liabilities, that results in increases in equity, other than those relating to contributions from holders of equity claims.

(b) *Expenses* are decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims.

Further, separate line items should be included in the profit or loss section of the Statement of Profit and Loss to present the following items in line with Paragraph 82 of Ind AS 1:

(a) Revenue, presenting separately interest revenue calculated using the effective interest method;

(b) Gains and losses arising from the de-recognition of financial assets measured at amortized cost;

(c) Finance costs;

(d) Impairment losses (including impairment gains or reversals of impairment losses) determined as per Ind AS 109, Section 5.5;

(e) Share of profit or loss of associates and joint ventures accounted for using the equity method;

(f) Any gain or loss arising from a difference between the previous amortized cost of the financial asset and its fair value at the date when the financial asset is reclassified from amortized cost to fair value through profit or loss;

(g) Any cumulative gain or loss previously recognized in other comprehensive income that is reclassified to profit or loss, when the financial asset is reclassified from fair value through other comprehensive income to fair value through profit or loss;

(h) A single amount for the total of discontinued operations, as per Ind AS 105.

In separately disclosing the above, consideration should be given to Note 5 and Note 9 of General Instructions for Preparation of Statement of Profit and Loss, that requires disclosure of any item of 'Other Income' or 'Other Expenses' exceeding one percent of the total income, in addition to the consideration of 'materiality'. An entity should consider these requirements as mutually exclusive.

9.1. Revenue from operations

The aggregate of revenue from operations needs to be disclosed on the face of the Statement of Profit and Loss as per Schedule III.

9.1.1. Note 3 of General Instructions for the Preparation of Statement of Profit and Loss requires that revenue from operations is to be separately disclosed on the face of the Statement of Profit and Loss, showing:

(a) Interest Income;

(b) Dividend Income;

(c) Rental Income;

(d) Fees and commission Income;

(e) Net gain on fair value changes;

(f) Net gain on de-recognition of financial instruments under amortised cost category;

(g) Sale of products (including Excise duty);

(h) Sale of services; and

(i) Others (to be specified)

9.1.2. For the purpose of presentation Ind AS 113 and 115 will have to be referred to. As per the definition of Revenue in Ind AS 115, "revenue is income arising in the course of an entity's ordinary activities" and income is defined in Ind AS 115, "increases in economic benefits during the accounting period in the form of income or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants". Further, as per Ind AS 115, revenue includes only the gross increase in economic benefits occurring to the entity on its own account. Amounts collected, in capacity of an agent, on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue. Similarly, in an agency relationship, the gross increase in economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue.

9.1.3. Under the GST regime, the collection of GST by an entity would not be an inflow on the entity's own account but it shall be made on behalf of the government authorities. Accordingly, the revenue from operations should be presented net of GST.

9.1.4. The revenue from operation shall include:

9.1.4.1. <u>Interest Income:</u>

As per Note 3 of General Instructions for Preparation of Profit and Loss, Interest Income shall be classified as:

(a) Interest on loans;

(b) Interest income from investments;

(c) Interest on deposits with banks;

(d) Other interest income

Interest income should be classified based on the financial assets measured at fair value through OCI, at amortised cost, or classified as fair value through profit or loss.

As per Paragraph 82 (a) of Ind AS 1, in addition to items required by other Ind ASs, the profit or loss section of the statement of profit and loss shall include line items that presenting separately interest revenue calculated using the effective interest method.

Ind AS 107, Paragraph 20(b) requires total interest revenue calculated using the effective interest method for financial assets that are measured at amortized cost and that are measured at FVOCI, to be shown separately.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

'Other Interest' Income includes any other interest/ discount income not included in sub-heads (a), (b) and (c) as mentioned above. Dividend in the nature of interest should be classified here as per the requirements of Indian Accounting Standards. Also, interest income on unwinding of security deposits and interest received on delayed payments by customers should be classified under other interest income. Interest income on income tax refund which is in the nature of income tax should be treated as per Ind AS 12.

Ind AS 107 Paragraph B5(e) requires a company to disclose whether interest income from financial assets measured at FVTPL is included as a part of fair value changes. Accordingly, a company shall disclose as its accounting policy, whether it presents interest income on financial assets at FVTPL as a part of fair value changes or presents separately.

9.1.4.2. Dividend Income:

As per Paragraph 5.7.1A of Ind AS 109 dividends are recognised in profit or loss only when:

(a) the entity's right to receive payment of the dividend is established;

(b) it is probable that the economic benefits associated with the dividend will flow to the entity; and

(c) the amount of the dividend can be measured reliably.

As per Paragraph 5.7.6 of Ind AS 109 if the entity makes an irrevocable election to present the fair value changes in other comprehensive income, it shall recognize in profit or loss dividends from that investment in accordance with Paragraph 5.7.1A of Ind AS 109.

Further, Ind AS 107 Paragraph B5(e) requires a company to disclose whether dividend income on financial assets measured at FVTPL is included as a part of fair value changes. Accordingly, a company shall disclose as its accounting policy, whether it presents dividend income on financial assets at FVTPL as a part of fair value changes or presents separately.

9.1.4.3. Rental Income

Rental income shall include rent on investment property and operating lease payments received if the entity is in the nature of renting business.

9.1.4.4. Fees and commission income:

Fees that are not an integral part of effective interest rate in accordance with Ind AS 109 should be considered under this head. 'Fees and Commission Income' shall include all remuneration on services such as commission on collections, commission/ exchange on remittances and transfers, commission on letters of credit and guarantees, commission on Government business, commission on other permitted agency business including consultancy, distribution of third party products and other services, brokerage, fees charged for servicing a loan, loan syndication fees etc.

9.1.4.5. Net gain/(loss) on fair value changes:

As per Note 4 of General Instructions for preparation of Statement of Profit and Loss, the fair value gains or losses (net) on financial assets which are measured at FVTPL should be presented under 'Revenue from Operations' with the following line items:

(A) Net Gain/ (Loss) on financial instruments at fair value through profit or loss

- (i) On trading portfolio
  - — Investments
  - — Derivatives
  - — Others
- (ii) On financial instruments designated at fair value through profit or loss

(B) Others (to be specified)

Total Net gain/ (loss) on fair value changes (C)

Fair value changes:

— Realised

— Unrealised

Total Net gain/ (loss) on fair value changes (D) to tally with (C)

The fair value changes in this schedule are other than those arising on account of accrued interest income/ expense.

The amount of net loss under this section should be disclosed in Expenses – Net loss on fair value changes.

'Others' may include instruments other than those held for trading or designated at fair value through profit or loss such as debt instruments which are classified as fair value through profit or loss and on de-recognition of debt instruments classified as fair value through other comprehensive income.

Further, Paragraph B5 (e) of Ind AS 107 as mentioned above is also required to be referred.

9.1.4.6. Others (to be specified):

The term "others" is not defined. This would include revenue arising from a company's operating activities, i.e., either its principal or ancillary revenue-generating activities, but which is not revenue arising from the sub-items mentioned above. Whether a particular income constitutes "other operating revenue" or "other income" is to be decided based on the facts of each case and detailed understanding of the company's activities.

9.2. Other income

The aggregate of 'Other income' is to be disclosed on the face of the Statement of Profit and Loss. As per Note 5 of General Instructions for the Preparation of Statement of Profit and Loss, 'Other Income' shall be classified as:

(a) Net gain/ (loss) on ineffective portion of hedges;

(b) Net gain/ (loss) on de-recognition of property, plant and equipment;

(c) Net gain or loss on foreign currency transaction and translation (other than those considered as finance cost) (to be specified) and

(d) Others (to be specified)

As per Paragraph 6.5.11 (b) and (c) of Ind AS 109, for designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instruments is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in net gain/loss on fair value changes in the statement of profit and loss.

Net gain/ (loss) on derecognition of property, plant and equipment includes profit/loss on sale of furniture, land and building, motor vehicles, etc. Only the net position should be shown. If the net position is a loss, the amount should be shown as an expense.

Any gains on account of foreign exchange fluctuations are to be disclosed separately as per Ind AS 21. Thus, net exchange gain should be classified under other income and the amount so included should be separately disclosed.

Interest on income tax refund shall form part of 'others' under 'Other Income'.

Rental income other than that presented under 'Revenue from operations' shall be disclosed under 'others'.

Income under 'others' should be disclosed net off expenses directly attributable to such income. However, the expenses so netted off should be separately disclosed.

Any item under the head 'Other Income' which exceeds one per cent of the total income should be presented separately.

9.3. Expenses

The aggregate of the following expenses is to be disclosed on the face of the Statement of Profit and Loss:

- Finance Costs
- Fees and commission expense
- Net loss on fair value changes
- Net loss on de-recognition of financial instruments under amortised cost category
- Impairment of financial instruments
- Cost of materials consumed

- Purchases of Stock-in-Trade
- Changes in inventories of finished goods, stock-in-trade and work-in-progress
- Employee benefits expense
- Depreciation, amortization and impairment
- Other expenses (to be specified)

9.3.1 Finance Costs

As per Note 6 of the General Instructions for the Preparation of the Statement of Profit and Loss, disclosure of finance costs is to be bifurcated under the following:

(a) Interest on deposits

(b) Interest on borrowings

(c) Interest on debt securities

(d) Interest on subordinated liabilities

(e) Other interest expense

The finance costs should be classified based on financial liabilities measured at fair value through profit or loss and on financial liabilities measured at amortised cost. The latter should be calculated as per the effective interest method as per Ind AS 107.

a) Interest on deposits: Interest on deposits includes interest paid on all types of deposits including deposits from banks and other institutions.

Interest on deposits also includes unwinding of the discount that results in an increase in financial liabilities such as security deposits for assets taken on lease.

b) Interest on borrowings: Interest on borrowings includes discount/interest on all borrowings and refinance from banks and other institutions and agencies.

Interest in respect of lease liabilities recognised in accordance with Ind AS 116, *Leases*

c) Interest on debt securities: Interest on debt securities includes interest on bonds/ debentures and liability component of financial instruments.

d) Interest on subordinated liabilities: This includes interest expense on all subordinated liabilities.

e) Other interest expense: Other interest expense includes the following:

1. Increases in the carrying amount of provisions / decommissioning liabilities where such increase reflects the passage of time;
2. Net interest on net defined benefit liability which reflects the change in net defined benefit liability that arises from the passage of time.

9.3.2 Ind AS 21 and Ind AS 23 deal with foreign exchange differences arising on foreign currency transactions included in the financial statements of an entity. The same shall be disclosed under 'Other interest expense' finance cost. All exchange differences within the purview of Ind AS 21 are recognized as exchange differences and presented accordingly. However, all exchange differences arising from foreign currency borrowings are within the purview of Ind AS 23 and are regarded as a cost of borrowing irrespective of whether they are capitalized or not as a part of the cost of the asset. In accordance with Ind AS 23 – 'Borrowing Costs', borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. For the purpose of capitalization, borrowing costs also include exchange difference regarded as an adjustment to borrowing costs. Exchange differences eligible for capitalization are determined in accordance with Paragraph 6(e) and 6A of Ind AS 23. Accordingly, in case a company has utilized its foreign currency borrowings for the purpose of acquisition or construction of a qualifying asset, it would capitalize certain portion of foreign exchange differences in accordance with the Paragraph 6(e) and 6A of Ind AS 23. All other borrowing costs are recognized as an expense. For presenting foreign exchange differences arising on foreign currency borrowings in the statement of profit and loss, there is no specific requirement to apply the limit prescribed in paragraphs 6(e) and 6A of Ind AS 23 since the nature of the exchange difference on foreign currency borrowings is effectively a cost of borrowing. Accordingly, the entire foreign exchange differences relating to foreign currency borrowings to the extent not capitalized in accordance with Ind AS 23 should be presented under the head 'finance costs'.

9.3.3 Fees and commission expense

Fees and commission expenses include all expenses on services such as commission on documents sent on collection, commission/ exchange on remittances and transfers, commission on letters of credit, and guarantees, commission on other permitted agency business including consultancy and other services, brokerage, etc. If any of these elements are required to be included for the purpose of computing effective interest rate under Indian Accounting Standards, it should not be included under this head.

9.3.4 Net loss on fair value changes

(Refer Paragraph 9.1.4.5. at Pg 108 for the line items to be presented as a part of Net gains (losses) on fair value changes)

9.3.5 Impairment of financial instruments

As per Note 8 of the General Instructions for the Preparation of the Statement of Profit and Loss, disclosure of impairment of financial instruments is to be bifurcated under the following:

(a) Loans

(b) Investments

(c) Others (to be specified)

The same is to be further classified based on financial instruments measured at fair value through OCI, and on financial instruments measured at amortised cost.

Ind AS 109 requires that its impairment provisions are also applied to loan commitments and trade receivables. Thus, such impairments would be included under the sub-head 'Others' as mentioned above.

Excess of amount of loss written-off over the accumulated loss allowance is of the nature of impairment loss and should thus be presented under this line item. In case of subsequent recoveries which are higher than previously written off asset, the nature of recoveries is similar to reversals of impairment and should thus be presented in the impairment line in profit or loss as it would provide useful and relevant information to the users of the financial statements.

9.3.6 Employee benefits expense

As per Paragraph 7 of Ind AS 19 an employee may provide services to an entity on a full-time, part-time, permanent, casual or temporary basis. For the purpose of this Standard, employees include directors and other management personnel.

This line item under the schedule requires disclosure of the following details:

9.3.6.1 Salaries and wages

The aggregate amounts paid/payable by the company for payment of salaries and wages are to be disclosed here. Expenses on account of bonus, leave encashment, compensation and other similar payments also need to be disclosed here. Where a separate fund is maintained for gratuity payouts, contribution to Gratuity Fund should be disclosed under the sub-head Contribution to provident and other funds.

9.3.6.2 Contribution to provident and other funds

The aggregate amounts paid / payable by a company on account of contributions to provident fund and other funds like Superannuation fund, ESI, Labour Welfare Fund, etc., are to be disclosed here. This is true for defined contribution plans since the expense recognized for a defined benefit plan is not necessarily the amount of the contribution due for the period.

Contributions for such funds for contract labour may also be separately disclosed here. However, penalties and other similar amounts paid to the statutory authorities are not strictly in the nature of 'contribution' and should not be disclosed here.

9.3.6.3 Share based payment to employees

The amount of expense under this head should be determined in accordance with *Ind AS 102 – Share-based Payments* and/or the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as applicable. Companies should also consider all disclosures required by Ind AS 102.

9.3.6.4 Staff welfare expense

The total expenditure on staff welfare is to be disclosed herein.

9.3.7 Depreciation, amortization and impairment

A company should disclose depreciation provided on Property, Plant and Equipment, Investment Property and amortization of intangible assets and any impairment under this head.

9.3.8 Other Expenses

All other expenses not classified under other heads will be classified here. As per Note 9 of General Instructions for Preparation of Profit and Loss, Other expenses shall be bifurcated into:

(c) Rent, taxes and energy costs;

(d) Repairs and maintenance;

(e) Communication costs;

(f) Printing and stationery;

(g) Advertisement and publicity;

(h) Director's fees, allowances, and expenses;

(i) Auditor's fees and expenses;

(j) Legal and Professional charges;

(k) Insurance;

(l) Other expenditure.

<u>Rent, taxes and energy costs:</u> Rent will include expenses such as rent on low value or short term leases i.e. in respect of leases which are not accounted for under Ind AS 116. Taxes shall include municipal and other taxes (excluding income tax) and energy cost shall include electricity and other similar charges and levies.

<u>Repairs and maintenance:</u> This includes repairs to company's property, plant and equipment and their maintenance charges, etc.

<u>Communication costs:</u> This includes postal charges (like stamps), telephones, courier costs, facsimile, e-mail, internet, SWIFT charges etc.

<u>Printing and stationery:</u> This includes cost of books, forms and stationery used by the company and other printing charges which are not incurred by way of publicity expenditure.

<u>Advertisement and publicity:</u> This includes expenditure incurred by the company for advertisement and publicity purposes including printing charges on publicity material.

<u>Director's fees, allowances and expenses:</u> This includes sitting fees and all other items of expenditure incurred on behalf of directors including all allowances and expenses on behalf of directors. The daily allowance, hotel charges, conveyance charges, etc. which though in the nature of reimbursement of expenses incurred may be included under this head.

Auditor's fees and expenses: This includes the fees paid to the statutory auditors and branch auditors for professional services rendered and all expenses for performing their duties, even though they may be in the nature of reimbursement of expenses.

Legal and Professional charges: All legal expenses and reimbursement of expenses incurred in connection with legal services are to be included here. Professional charges could include fee paid for consultancy, valuations, etc.

Insurance: This includes insurance charges on company's property, plant and equipment, etc.

Other expenditure: All expenses other than those not included in any of the other heads like license fees, donations, subscriptions to papers, periodicals, entertainment expenses, travel expenses, etc. may be included under this head.

Any item under the head 'Other expenditure' which exceeds one per cent of the total income shall be presented separately.

9.4. Exceptional items

The term 'Exceptional items' is neither defined in Division III to Schedule III nor in Ind AS. However, Ind AS 1 requires separate disclosures of certain items of similar nature in Paragraphs 85, 86, 97 and 98.

Paragraph 85 states that additional line items, headings and subtotals in the statement of profit and loss shall be presented, when such presentation is relevant to an understanding of the entity's financial performance.

Further, Paragraph 86 states that disclosing the components of financial performance assists users in understanding the financial performance achieved and in making projections of future financial performance. An entity considers factors including materiality and the nature and function of the items of income and expense.

Paragraph 97 states that when items of income or expense are material, an entity shall disclose their nature and amount separately. Paragraph 98 gives circumstances that would give rise to the separate disclosure of items of income and expense and includes:

(a) Write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;

(b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;

(c) disposals of items of property, plant and equipment;

(d) disposals of investments;

(e) discontinued operations;

(f) litigation settlements; and

(g) other reversals of provisions.

In case the company has more than one such item of income / expense of the above nature which is exceptional, then such items should be disclosed on the face of the Statement of Profit and Loss. Details of all the individual items should be disclosed in the Notes.

9.5. Tax expense

This is to be disclosed on the face of the Statement of Profit and Loss and bifurcated into:

(1) Current tax, and

(2) Deferred tax

9.5.1 Current tax

The term 'Current tax' has been defined under Ind AS-12 *Income Taxes* as the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Hence, details of all taxes on income payable under the applicable taxation laws should be disclosed here.

Any interest on shortfall in payment of advance income-tax is in the nature of finance cost and hence should not be clubbed with the 'Current tax'. The same should be classified as interest expense under finance costs. However, such amount should be separately disclosed.

Any penalties levied under Income tax laws should not be classified as 'Current tax'. Penalties which are compensatory in nature should be treated as interest and disclosed in the manner explained above. Other tax penalties should be classified under 'Other Expenses'.

Excess/Short provision of tax relating to earlier years should be separately disclosed.

9.5.2 Deferred tax

Any charge/credit for deferred taxes needs to be disclosed separately on the face of the Statement of Profit and Loss.

Ind AS 12 defines 'deferred tax liabilities', 'deferred tax assets', 'temporary differences' as:

'Deferred tax liabilities' are the amounts of income taxes payable in future periods in respect of taxable temporary differences;

'Deferred tax assets' are the amounts of income taxes recoverable in future periods in respect of:

(a) deductible temporary differences;

(b) the carry forward of unused tax losses; and

(c) the carry forward of unused tax credits.

'Temporary differences' are differences between the carrying amount of an asset or liability in the balance sheet and its tax base

Ind AS 12 has the concept of temporary. Moreover, deferred tax asset is defined in Ind AS 12 to include the carry forward of unused tax credits. MAT Credits are in the form of unused tax credits that are carried forward by the company for a specified period of time. Accordingly, MAT Credit Entitlement should be grouped with Deferred Tax Asset (net) in the Balance Sheet of an entity and a separate note should be provided specifying the nature and amount of MAT Credit included as a part of deferred tax. However, the company should review at each balance sheet date the reasonable certainty to recover deferred tax asset including MAT Credit Entitlement.

Correspondingly, MAT Credit Entitlement should be grouped with deferred tax in the Statement of Profit and Loss and a separate note should be provided specifying the amount of MAT Credit.

9.6. Profit / (loss) from discontinued operations

The term 'discontinued operations' is defined in Ind AS 105, *"Non-current Assets Held for Sale and Discontinued Operations" as a component of an entity that either has been disposed of or is classified as held for sale and:*

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

Profit or loss from Discontinued Operations needs to be separately disclosed on the face of Statement of Profit and Loss. This disclosure is in line with the disclosure requirement of Ind AS 105 Paragraph 33(a) which requires a single amount in the statement of profit and loss comprising the total of: (i) post-tax profit or loss of discontinued operations; and (ii) post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

Further, Ind AS-105 Paragraph 33(b) requires an entity to present an analysis of a single amount either in Notes or on the face of the Statement of Profit and Loss:

(i) the revenue, expenses and pre-tax profit or loss of discontinued operations;

(ii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and

(iii) the related income tax expense as required by paragraph 81(h) of Ind AS 12.

If the above analysis is presented in the Statement of Profit and Loss, then it shall be presented in a section identified as relating to discontinued operations, i.e. separately from continuing operations.

9.7. Tax expense of discontinued operations

In case there are any taxes payable / tax credits available on profits / losses of discontinued operations, the same need to be disclosed as a separate line item on the Statement of Profit and Loss, when presenting a separate analysis as per Paragraph 33(b) of Ind AS 105, as stated above in Paragraph 9.5.

9.8. Earnings per equity share

Computation of Basic and Diluted Earnings per Share should be made in accordance with *Ind AS 33, Earnings per Share*. It is pertinent to note that the nominal value of equity shares should be disclosed along with the Earnings per Share figures as required by Ind AS 33.

10. Other Comprehensive Income

10.1 'Other comprehensive income' (OCI) is defined in Ind AS 1 as '*comprising items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Ind ASs.*

10.2 Note 10 of General Instructions for Preparation of Statement of Profit and Loss state that 'Other Comprehensive Income' shall be classified into:

(a) Items that will not be reclassified to profit or loss and its related income tax effects:

- (1) Changes in revaluation surplus;
- (2) Re-measurements of the defined benefit plans;
- (3) Equity Instruments through other comprehensive income;
- (4) Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss;
- (5) Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss; and
- (6) Others (specify nature);

(b) Items that will be reclassified to profit or loss and its related income tax effects:

- (1) Exchange differences in translating the financial statements of a foreign operation;
- (2) Debt Instruments through other comprehensive income;
- (3) The effective portion of gain and loss on hedging instruments in a cash flow hedge;
- (4) Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent to be classified into profit or loss; and
- (5) Others (specify nature).

10.3 As a part of the definition of OCI given in Ind AS 1, the components of OCI, which are in addition to above, are stated to include:

Items that will not be reclassified to profit or loss and its related income tax effects:

(a) Gains and losses on hedging instruments that hedge investments in equity instruments measured through Other Comprehensive Income;

(b) Changes in time value of options when separating the intrinsic value and time value of an option contract and designating only intrinsic value changes as the hedging instrument;

(c) Changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating only spot element changes as hedging instrument;

(d) Changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument.

10.4 Ind AS 1, Paragraph 91 gives a choice of presentation for tax effects of items presented in other comprehensive income. An entity may present items of OCI either:

(a) Net of related tax effects, or

(b) Before related tax effects with one amount shown for the aggregate amount of income tax relating to those items.

However, Schedule III requires an entity to present items of OCI in aggregate and the related tax effects to be shown separately.

10.5 Further, an entity shall present for each component of equity, an analysis of other comprehensive income by item as required by Ind AS 1, Paragraph 106A (including, reclassification adjustments as required by Ind AS 1, Paragraph 92). Such presentation may be made either in the Statement of Changes in Equity or in the Notes to Accounts.

10.6 Division III to Schedule III does not highlight the presentation of bargain purchase gains arising in a business combination. Paragraph 34 of Ind AS 103, requires an acquirer to recognize a bargain purchase gain in other comprehensive income on the acquisition date, after meeting the requirements of Paragraph 36 of Ind AS 103. Such gain shall be attributed to the acquirer (i.e. parent and not non-controlling interest) and may be presented under 'Other Items of other comprehensive income' in statement of changes in equity. The above would also hold true in case of an acquisition of a business which is accounted for in Separate Financial Statements. However, if Paragraph 36 requirements are not met, then, the acquirer shall recognize and disclose such gain directly in capital reserve as per Paragraph 36A of Ind AS 103.

11. Additional information to be disclosed by way of Notes to Statement of Profit and Loss

Besides the above disclosures, Note 11 of the General instructions for Preparation of Statement of Profit and Loss also require disclosure by way of notes, additional information regarding aggregate expenditure and income on the following items:

11.1 Depreciation, amortization and impairment [Clause (i) of Note 11]

A company should disclose depreciation provided on Property, Plant and Equipment, Investment Property and amortization of intangible assets and any impairment under this head.

11.2 Payments to the auditor [Clause (ii) of Note 11]

Payments covered here should be for payments made to the firm of auditor(s). Expenses incurred towards auditor's remuneration should be disclosed under each of the following sub-heads as follows:

(a) As Auditor,

(b) For taxation matters,

(c) For company law matters,

(d) For other services,

(e) For reimbursement of expenses;

11.3 In case of NBFCs covered under section 135, disclosures pertaining to corporate social responsibility activities [Clause (iii) and (vi) of Note 11]

This new requirement introduced by the Act is that the companies which are covered under Section 135 are required to disclose the amount of expenditure incurred on corporate social responsibility activities. The Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued by the ICAI may be referred to for disclosure requirements, which are essentially as under:

(a) From the perspective of better financial reporting and in line with the requirements of Schedule III in this regard, it is recommended that all expenditure on CSR activities, that qualify to be recognised as expense should be recognised as a separate line item as 'CSR expenditure' in the statement of profit and loss. Further, the relevant note should disclose the break-up of various heads of expenses included in the line item 'CSR expenditure'.

(b) The notes to accounts relating to CSR expenditure should also contain the following:

  (1) Gross amount required to be spent by the company during the year.

  (2) Amount spent during the year on:

    (i) Construction/acquisition of any asset

    (ii) On purposes other than (i) above

  The above disclosure, to the extent relevant, may also be made in the notes to the cash flow statement, where applicable.

(c) Details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per Ind AS 24, *Related Party Disclosures*.

(d) Where a provision is made in accordance with the above paragraph, above the same should be presented as per the requirements of Schedule III to the Act. Further, movements in the provision during the year should be shown separately.

MCA notification dated 24 March 2021 has included certain CSR-related disclosure requirements in addition to the existing disclosures. The additional disclosures included in clause (vi) of Note 11 with regard to CSR activities are summarized below:-

(i) The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year;

(ii) The total of previous years' shortfall amounts;

(iii) The reason for above shortfalls by way of a note;

(iv) The nature of CSR activities undertaken by the Company.

11.4 Disclosure in relation to undisclosed income

This clause brings in a new disclosure requirement. It requires that the Company shall give details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme.

The Company shall also state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

In this context, it is relevant to understand the meaning of "undisclosed income". As per the Income Tax Act, 1961, "undisclosed income" includes any money, bullion, jewellery or other valuable article or thing or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or any expense, deduction or allowance claimed under this Act which is found to be false. The meaning of "undisclosed income" shall be considered on the basis of the Income Tax Act, 1961 or basis judicial decisions provided on undisclosed income.

The emphasis under this clause is limited to examination of those transactions, which were hitherto unrecorded in the books of account and which were surrendered or disclosed as income in the tax assessments under the Income Tax Act, 1961. The emphasis is on the words surrendered or disclosed which implies that the company must have voluntarily admitted to the addition of such income, which can be demonstrated on the basis of the returns filed by the company.

Where a statement is made in the course of search and survey to verify the nature of income so surrendered or disclosed however, such statement has been retracted on the ground that such disclosure was obtained under force, coercion, etc. the income cannot be treated as surrendered or disclosed by the company.

Accordingly, where the addition is made by the income tax authorities and the company has disputed such additions, reporting under this clause is not applicable. Even where the company chooses not to file an appeal, it cannot be presumed that the company has surrendered or disclosed the income.

The details that are required to be provided by the company as part of this disclosure are prescribed below:

Sr. No.	Assessment Year	Section of the Act	Amount disclosed in tax return	Transaction description along with value treated as income	Assessment status	Whether transaction recorded in books of accounts?	FY in which transaction is recorded

Proper recording, by implication, includes proper disclosure thereof in the financial statements of the company which should be sufficient to enable the users to understand the impact of such transactions. The nature of disclosure shall depend on the nature of undisclosed income and the treatment thereof if the same was duly disclosed and reported in the books of account in the year to which the undisclosed income relates to.

In case the Company has not recorded /disclosed income in the books of account/financial statements, as applicable, reasons for same shall be disclosed.

11.5 Details of Crypto currency or Virtual currency

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:-

(a) profit or loss on transactions involving Crypto currency or Virtual Currency,

(b) amount of currency held as at the reporting date,

(c) deposits or advances from any person for the purpose of trading or investing in Crypto Currency or virtual currency.

Virtual currency is a digital representation of value, other than a representation of the Indian Rupee (INR) or a foreign currency ("real currency"), that functions as a unit of account, a store of value, and a medium of exchange. Some virtual currencies are convertible, which means that they have an equivalent value in real currency or act as a substitute for real currency.

Crypto currency is a form of digital/ virtual currency generated through a series of written computer codes that rely on cryptography which is encryption and is thus independent of any central issuing authority per se.

12. Part III – General Instructions for Preparation of Consolidated Financial Statements

The Act defines a 'subsidiary company' and an 'associate company' which is different from the definition of a 'subsidiary', an 'associate' and a 'joint venture' under Ind AS. An amendment to the Companies (Accounts) Rules, 2014 on 4 September 2015, newly inserted Rule 4A which state that *"financial statements shall be in the form specified in Schedule III to the Act and comply with Accounting Standards or Indian Accounting Standards as applicable, provided that the items contained in financial statements shall be prepared in accordance with the definitions and other requirements specified in the Accounting Standards or the Indian Accounting Standards, as the case may be."*

The Act mandates that the companies which have one or more subsidiaries or associates (which as per the Act includes joint ventures) are required to prepare Consolidated Financial Statements (CFS), except under certain circumstances exempted under the Act and Rules.

Accordingly, Ind AS definitions of subsidiary, associate and joint venture shall be considered for assessment of control, joint control and significant influence even though the requirement of preparation of CFS will be governed by the Act.

The companies are expected to prepare the Separate Financial Statements in addition to Consolidated Financial Statements.

Part III of Division III to Schedule III provides for General Instructions for Preparation of Consolidated Financial Statements. This is a new addition brought in under the Act.

12.1 General requirements

Where a company is required to prepare Consolidated Financial Statements, i.e. consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of profit and loss, the company shall *mutatis mutandis* follow the requirements of this Schedule as applicable to a company in preparation of the Separate Financial Statements. This means that all the reporting requirements of the Schedule III need to be aggregated and reported for the group as a whole in the Consolidated Financial Statements. However, where the consolidated financial statements contains elements pertaining to NBFCs and other than NBFCs, mixed basis of presentation may be followed for consolidated financial statements where both kinds of operations are significant.

In addition, the Consolidated Financial Statements shall disclose the information as per the requirements specified in the applicable Ind AS notified under the Companies Ind AS Rules, including the following, namely:

(1) Profit or loss attributable to 'non-controlling interest' and to 'owners of the parent' in the statement of profit and loss shall be presented as allocation for the period. Further, 'total comprehensive income' for the period attributable to 'non-controlling interest' and to 'owners of the parent' shall be presented in the statement of profit and loss as allocation for the period. The aforesaid disclosures for 'total comprehensive income' shall also be made in the statement of changes in equity. In addition to the disclosure requirements in the Indian Accounting Standards, the aforesaid disclosures shall also be made in respect of 'other comprehensive income'. This requirement is in line with Paragraph 81B of Ind AS 1.

(2) 'Non-controlling interests' in the Balance Sheet and in the Statement of Changes in Equity, within equity, shall be presented separately from the equity of the 'owners of the parent'.

(3) Investments accounted for using the equity method.

(4) Ind AS 110 Paragraph B96 deals with changes in proportion held by non-controlling interest. When the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by

which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent. An entity may present such gain / loss separately as 'Non-controlling Interest Reserve' shown under 'Other Reserves' by specifying the nature.

All of these would also indicate the need to obtain such information for all the subsidiaries / associates for preparing the Consolidated Financial Statements, including where such subsidiaries / associates are not audited under the Act.

However, due note has to be taken of the fact that the Schedule III itself states that the provisions of the schedule are to be followed *mutatis mutandis* for a Consolidated Financial Statements. MCA has also clarified vide General Circular No. 39 / 2014 dated 14th October 2014 that Schedule III to the Act [Refer **Annexure D(Pg 205)**] read with the applicable Accounting Standards does not envisage that a company while preparing its CFS merely repeats the disclosures made by it under stand-alone accounts being consolidated. Accordingly, the company would need to give all disclosures relevant for CFS only.

In this context, the requirements of Division III to Schedule III shall apply to a CFS, subject to the following exemptions / modifications based on the relevance to the CFS:

Division III to Schedule III Requirements	**Applicability to CFS (if left blank, is applicable, as it is)**
Share capital – authorized, issued, subscribed and paid up	It is adequate to present paid up capital and any calls in arrears Note: It has no relevance in the CFS context.
Sources from which bonus shares are issued, e.g., capitalisation of profits or Reserves or from Securities Premium Account.	Not relevant at CFS level and hence, may be dispensed with.
Disclosure of all unutilized monies out of the issue indicating the form in which such unutilized funds have been invested.	Not relevant at CFS level and hence, may be dispensed with.

(a) Period and amount of continuing default as on the Balance Sheet date in repayment of borrowings and interest, shall be specified separately in each case. (b) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated (c) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated (d) Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the Balance Sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.	On all these items, disclosure can be limited to those which are material to the CFS; materiality could be considered at 10% of the respective balance sheet item
Share application money pending allotment shall be classified into equity or liability in accordance with relevant Ind AS. Share application	Separate disclosure should be given for such monies due outside the group in respect of entities which are consolidated.

money to the extent not refundable shall be shown under the head 'Equity' and share application money to the extent refundable shall be separately shown under 'Other financial liabilities'.	
Additional information for disclosure: (a) Payments to the auditor as (a) auditor,(b) for taxation matters, (c) for company law matters, (d) for other services, (e) for reimbursement of expenses; (b) In case of Companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities (c) Disclosures required as per the MSMED Act, 2006	Not relevant at CFS level and hence, may be dispensed with.

MCA notification dated 24 March 2021 has included certain disclosure requirements in addition to the existing disclosures. The applicability of additional disclosures at Consolidated financial statement (CFS) level with regard to its applicability is summarized below:-

The below requirements need to be disclosed at CFS level

Schedule III Requirement	**Description**
Disclosure of Shareholding of Promoters	Company should disclose the promoter shareholding at the CFS level. Generally, the promoter would be same for CFS level and standalone level.
Trade Payables ageing schedule	Trade payable ageing schedule should be disclosed at the CFS level after applying the principles of consolidation.

Trade Receivables ageing schedule	Trade receivables ageing schedule should be prepared at the CFS level after applying the principles of consolidation.
Revaluation of Property, Plant and Equipment	In case revaluation of property is done at CFS level, or for any of the group entity, company may disclose the following: 1. Name of the entity in which revaluation is done; 2. Type & nature of PPE revalued; 3. Indicate whether the revaluation is based on the valuation as per the registered valuer.
Loans or Advances - additional disclosures	This disclosure should be done at the CFS level, on similar lines as the 'Related Party Transactions' are disclosed in CFS. In other words, parties to whom such loans or advances are provided should be assessed at consolidated group level for the purpose of this disclosure.
Details of Benami Property held	Company should disclose the required details of benami property at CFS level providing the name of each subsidiary / group entity that has such Benami Property. In case if there is any benami proceedings initiated against any associate company*, then Company should disclose in case if the proceeding is material to the group.
Wilful Defaulter	Company should disclose the required details of wilful defaulter at CFS level providing the name of each subsidiary / group entity that is

	declared as a wilful defaulter. In case if there is any wilful default by an associate company*, then Company should disclose if the default is material to the group.
Relationship with Struck off Companies	Company should disclose the required details of relationship with struck off companies at CFS level providing the name of each subsidiary / group entity that has such a relationship. In case if any of the subsidiary is the under the struck off company list, Company should indicate that fact as a part of disclosure. In case if there is any associate company* having relationship with struck off companies, then company should disclose if the transaction is material to the group.
Compliance with number of layers of companies	Company should disclose this fact of compliance for each entity in its group.
Disclosure pertaining to 'undisclosed income'	Company should disclose the required details of undisclosed income at CFS level providing the name of each subsidiary / group entity that has an 'undisclosed income'. In case if there is any associate company* having undisclosed income, then Company should disclose if such income is material to the group.

* *as defined under the Act*

The below requirements need to be disclosed at CFS level, only if material in nature

Schedule III Requirement	**Description**
Capital work-in-progress (CWIP) ageing schedule / completion schedule	CWIP ageing schedule shall be given at CFS level if it is material to the group i.e. more than 10% of the respective balance sheet item in CFS.
Intangible assets under development ageing schedule / completion schedule	Ageing schedule shall be given at CFS level if it is material to the group i.e. more than 10% of the respective balance sheet item in CFS.
Security of current assets against borrowings	This disclosure shall be provided at CFS level if it is material to the group i.e. more than 10% of the respective balance sheet item in CFS.
Compliance with approved Scheme(s) of Arrangements	This disclosure shall be provided at CFS level if it is material to the group i.e. more than 10% of the respective financial statement line item in CFS.
Utilization of Borrowed funds and share premium	This disclosure shall be provided at CFS level after applying principles of consolidation i.e. this disclosure would be for funds borrowed / invested outside the group. However, it shall be disclosed only if material i.e. more than 10% of the respective financial statement line item in CFS.
Disclosure pertaining to 'details of crypto currency or virtual currency'	This disclosure shall be provided at CFS level if it is material to the group i.e. more than 10% of the respective financial statement line item in CFS.

Not relevant at CFS level and hence, may be dispensed with

Schedule III Requirement	Description
Title deeds of Immovable Property not held in the name of the Company	This requirement is not relevant at the CFS level and hence company need not disclose in the CFS.
Registration of charges or satisfaction with Registrar of Companies	This requirement is not relevant at the CFS level and hence company need not disclose in the CFS.
Analytical Ratios	This requirement is not relevant at the CFS level and hence company need not disclose in the CFS.

12.2 Indian Accounting Standards

The Consolidated Financial Statements shall also disclose the information as required under the various Indian Accounting Standards applicable.

12.3 Additional information on the entities included in the Consolidated Financial Statements

Division III to Schedule III also requires specific disclosure of additional information on the entities which are included in the Consolidated Financial Statements in the following format:

Name of the entity in the Group	Net Assets i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of Consolidated net assets	Amount	As % of Consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total comprehensive income	Amount
Parent Subsidiaries Indian								
1								
2								

3								
…								
…..								
Foreign								
1								
2								
3								
…								
…..								
Non-controlling interest in all subsidiaries Associates (Investment as per equity method)								
Indian								
1								
2								
3								
…								
…								
Foreign								
1								
2								
3								
…								
…..								
Joint Ventures (Investment as per								

equity method)								
Indian								
1								
2								
3								
…								
…..								
Foreign								
1								
2								
3								
…								
…..								
TOTAL								

Certain joint arrangements which are of the nature of joint operations will be consolidated to the extent of the share of joint operator based on the principles laid down in Ind AS 111. Even though the above table does not specify a disclosure about joint operations' net assets, profit or loss, other comprehensive income and total comprehensive income, it should be disclosed in similar manner as disclosed for joint ventures. This requirement would apply only if a joint operation is conducted through a separate legal entity.

Moreover, as regards consolidation adjustments (including elimination of intra-group transactions), it should be ensured that these are either disclosed as a single line item separately or adjusted in the information (e.g., net assets) disclosed for the parent and its each component.

These are necessary in order to match the respective amounts reported in Consolidated Financial Statements with the respective total amounts in the above table.

12.4 Entities not consolidated

Entities which are not covered in the Consolidated Financial Statements, whether subsidiaries, associates or joint ventures are to be listed in the Consolidated Financial Statements along with the reasons for not consolidating such entities. Additional disclosure requirements as set out in Ind AS 112 should also be complied with in this regard.

12.5 Definition of terms relevant for consolidation

The terms “Control”, “Subsidiary” and “Associate” are defined very differently in the Act as compared to definition in Ind AS. Rule 6 of the Companies (Accounts) Rules, 2015 however states that Consolidated Financial Statements shall be prepared in accordance with the provisions of Division III to Schedule III of the Act and the applicable Ind AS. Further, Rule 4A of the Companies (Accounts) Rules, 2015 provides that the items contained in the financial statements shall be prepared in accordance with the definitions and other requirements specified in Ind AS.

Annexure A

Schedule III
(See Section 129)

Division III

Financial Statements for a Non-Banking Financial Company (NBFC) whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015.

GENERAL INSTURCTIONS FOR PREPARATION OF FINANCIAL STATEMENTS OF A NON- BANKING FINANCIAL COMPANY (NBFC) THAT IS REQUIRED TO COMPLY WITH INDIAN ACCOUNTING STANDARDS (Ind AS).

1. Every Non-Banking Financial company as defined in the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 to which Indian Accounting Standards apply, shall prepare its financial statements in accordance with this Schedule or with such modification as may be required under certain circumstances.

2. Where compliance with the requirements of relevant Act, Regulations, Guidelines or Circulars issued by the relevant regulator from time to time including Indian Accounting Standards (Ind AS) (except the option of presenting assets and liabilities in accordance with current, non-current classification as provided by relevant Ind AS) as applicable to the NBFCs require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes inter se, in the financial statements or statements forming part thereof, the same shall be made and the requirements under this Schedule shall stand modified accordingly.

3. The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Indian Accounting Standards. Additional disclosures specified in the Indian Accounting Standards shall be made in the Notes or by way of additional statement or statements unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures

as required by the Companies Act, 2013 shall be made in the Notes in addition to the requirements set out in this Schedule.

4. (i) Notes shall contain information in addition to that presented in the Financial Statements and shall provide where required-

    (a) narrative descriptions or disaggregation's of items recognised in those statements; and

    (b) information about items that do not qualify for recognition in those statements.

(ii) Each item on the face of the Balance Sheet, Statement of Changes in Equity and Statement of Profit and Loss shall be cross-referenced to any related information in the Notes. In preparing the Financial Statements including the Notes, a balance shall be maintained between providing excessive details that may not assist users of Financial Statements and not providing important information as a result of too much aggregation.

5. Depending upon the total income of the NBFC, the figures appearing in the Financial Statements shall be rounded off as below:

Total Income	**Rounding off**
(i) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(ii) one hundred crore rupees or more	To the nearest, lakhs, millions or crores, or decimals thereof.

Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

6. Financial Statements shall contain the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including Notes except in the case of first Financial Statements after incorporation.

7. Financial Statements shall disclose all material items, i.e., the items if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size or nature of the item or a combination of both, to be judged in the particular circumstances.

8. For the purpose of this Schedule, the terms used herein shall have the same meanings assigned to them in Indian Accounting Standards.

9. Where any Act, Regulation, Guidelines or Circulars issued by the relevant Regulators from time to time requires specific disclosures to be made in the standalone financial statements of an NBFC, the said disclosures shall be made in addition to those required under this Schedule.

10. The NBFCs preparing financial statements as per this Schedule may change the order of presentation of line items on the face of financial statements or order of line items within the schedules in order of liquidity, if appropriate, considering the operations performed by the NBFC.

Note: *This Schedule sets out the minimum requirements for disclosure on the face of the Financial Statements, i.e., Balance Sheet, Statement of Changes in Equity for the period, the Statement of Profit and Loss for the period (The term 'Statement of Profit and Loss' has the same meaning as 'Profit and Loss Account') and Notes. Cash flow statement shall be prepared, where applicable, in accordance with the requirements of the relevant Indian Accounting Standard.*

Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the NBFC's financial position or performance or to cater to categories of NBFC's as prescribed by the relevant regulator or sector-specific disclosure requirements or when required for compliance with the amendments to the relevant statutes or under the Indian Accounting Standards.

Part I — Balance Sheet

Name of the Non-Banking Financial Company……………………

Balance Sheet as at……………………

				(Rupees in)
	Particulars	**Note No.**	**Figures as at the end of current reporting period**	**Figures as at the end of the previous reporting period**
	1		2	3
	ASSETS			
(1)	**Financial Assets**			
(a)	Cash and Cash equivalents			
(b)	Bank Balance other than (a) above			
(c)	Derivative financial instruments			
(d)	Receivables			
	(I) Trade Receivables			
	(II) Other Receivables			
(e)	Loans			
(f)	Investments			
(g)	Other Financial assets (to be specified)			
(2)	**Non-financial Assets**			
(a)	Inventories			
(b)	Current tax assets (Net)			
(c)	Deferred tax Assets (Net)			

(d)	Investment Property			
(e)	Biological assets other than bearer plants			
(f)	Property, Plant and Equipment			
(g)	Capital work-in-progress			
(h)	Intangible assets under development			
(i)	Goodwill			
(j)	Other Intangible assets			
(k)	Other non-financial assets (to be specified)			
	Total Assets			
	LIABILITIES AND EQUITY			
	Liabilities			
(1)	**Financial Liabilities**			
(a)	Derivative financial instruments			
(b)	Payables			
	(I)Trade Payables			
	(i) total outstanding dues of micro enterprises and small enterprises			
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises			
	(II) Other Payables			

	(i) total outstanding dues of micro enterprises and small enterprises			
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises			
(c)	Debt Securities			
(d)	Borrowings (Other than Debt Securities)			
(e)	Deposits			
(f)	Subordinated Liabilities			
(g)	Other financial liabilities(to be specified)			
(2)	**Non-Financial Liabilities**			
(a)	Current tax liabilities (Net)			
(b)	Provisions			
(c)	Deferred tax liabilities (Net)			
(d)	Other non-financial liabilities(to be specified)			
(3)	**Equity**			
(a)	Equity Share capital			
(b)	Other Equity			
	Total Liabilities and Equity			

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN EQUITY[1]

Name of the Company..............

A. Equity Share Capital

(1) Current reporting period

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period

(2) Previous reporting period

Balance at the beginning of the previous reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in equity share capital during the previous year	Balance at the end of the previous reporting period

[1] Amended pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

B. Other Equity

(1) Current reporting period

			Reserves and Surplus											
	Share application money pending allotment	Equity component of compound financial instruments	Capital Reserve	Securities Premium	Other Reserves (specify nature)	Retained Earnings	Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income(specify nature)	Money received against share warrants	Total
Balance at the beginning of the														

current reporting period														
Changes in accounting policy or prior period errors														
Restated balance at the beginning of the current reporting period														
Total Comprehensive Income for the current year														

Dividends														
Transfer to retained earnings														
Any other change (to be specified)														
Balance at the end of the current reporting period														

(2) Previous reporting period

			Reserves and Surplus											
	Share application money pending allotment	Equity component of compound financial instruments	Capital Reserve	Securities Premium	Other Reserves (specify nature)	Retained Earnings	Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income(specify nature)	Money received against share warrants	Total
Balance at the beginning of the previous reporting period														

Changes in accounting policy or prior period errors														
Restated balance at the beginning of the previous reporting period														
Total Comprehensive Income for the previous year														
Dividends														
Transfer to														

retained earnings														
Any other change (to be specified)														
Balance at the end of the previous reporting period														

Note: Re-measurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss shall be recognised as a part of retained earnings with separate disclosure of such items along with the relevant amounts in the Notes or shall be shown as a separate column under Reserves and Surplus.

Notes

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

A Non-Banking Financial company shall disclose the following in the notes to accounts:

(A) **Cash and cash equivalents**: Cash and cash equivalents shall be classified as:

(i) Cash on hand

(ii) Balances with Banks (of the nature of cash and cash equivalents);

(iii) Cheques, drafts on hand; and

(iv) Others (specify nature).

Cash and Bank balances: The following disclosures with regard to cash and bank balances shall be made:

(i) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.

(ii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.

(iii) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

(B) **Derivative financial Instruments**

1 Explain use of derivatives

2 Cross-reference to Financial Risks section for management of risks arising from derivatives.

	(Current Year)			(Previous Year)		
Part I	**Notional amounts**	**Fair Value - Assets**	**Fair Value - Liabilities**	**Notional amounts**	**Fair Value - Assets**	**Fair Value - Liabilities**
(i)Currency derivatives:						
-Spot and forwards						
-Currency Futures						
-Currency swaps						
-Options purchased						
-Options sold (written)						
-Others						
Subtotal (i)						
(ii)Interest rate derivatives						
-Forward Rate Agreements and Interest Rate Swaps						
-Options purchased						
-Options sold (written)						
-Futures						
-Others						
Subtotal(ii)						
(iii)Credit derivatives						
(iv)Equity linked						

derivatives						
(v)Other derivatives (Please specify)						
Total Derivative						
Financial Instruments (i)+(ii)+(iii)+(iv) + (v)						
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i)Fair value hedging:						
- Currency						
derivatives						
- Interest rate derivatives						
- Credit derivatives						
- Equity linked derivatives						
- Others						
Subtotal (i)						
(ii)Cash flow hedging:						
- Currency derivatives						
- Interest Rate derivatives						

- Credit derivatives						
- Equity linked						
derivatives						
- Others						
Subtotal (ii)						
(iii)Net investment hedging:						
(iv)Undesignated Derivatives						
Total Derivative Financial Instruments (i)+ (ii)+(iii)+(iv)						

With respect to hedges and hedge accounting, NBFCs may provide a description in accordance with the requirements of Indian Accounting Standards, of how derivatives are used for hedging, explain types of hedges recognized for accounting purposes and their usage/application by the entity.

(C) Receivables:

(i) Receivables shall be sub-classified as:

(a) Receivables considered good - Secured;

(b) Receivables considered good - Unsecured;

(c) Receivables which have significant increase in Credit Risk; and

(d) Receivables - credit impaired

(ii) Allowance for impairment loss allowance shall be disclosed under the relevant heads separately.

(iii) Debts due by Directors or other officers of the NBFC or any of them either severally or jointly with any other person or debts due by firms including limited liability partnerships (LLPs), private companies respectively in which any director is a partner or a director or a member should be separately stated.

(iv)[2] For trade receivables outstanding, following ageing schedule shall be given:

Trade Receivables aging schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment#					
	Less than 6 months	6 months -1 year	1-2 Years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables — considered good						
(ii) Undisputed Trade Receivables — which have significant increase in credit risk						
(iii) Undisputed Trade Receivables — credit impaired						
(iv) Disputed Trade Receivables— considered good						
(v) Disputed Trade Receivables — which have significant increase in credit risk						
(vi) Disputed						

[2] Inserted pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

Trade Receivables — credit impaired						

similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately

(D) Loans

	(Current Year)						(Previous Year)					
	Amortised cost	At Fair Value			Sub-total	Total	Amortised cost	At Fair Value			Sub-total	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss				Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss		
	(1)	(2)	(3)	(4)	(5=2+3+4)	(6=1+5)	(7)	(8)	(9)	(10)	(11=8+9+10)	(12=(7)+(11)
Loans												
(A)												
(i) Bills Purchased and Bills Discounted												
(ii) Loans repayable on Demand												
(iii) Term												

Loans												
(iv) Leasing												
(v) Factoring												
(vi) Others (to be specified)												
Total (A) - Gross												
Less :Impairment loss allowance												
Total (A) - Net												
(B)												
(i) Secured by tangible assets												
(ii)Secured by intangible												

assets												
(iii) Covered by Bank/Government Guarantees												
(iv) Unsecured												
Total (B)-Gross												
Less: Impairment loss allowance												
Total (B)-Net												
(C) (I)												
(Loans in India												
(i) Public Sector												
(ii) Others												

(to be specified)											
Total (C)-Gross											
Less: Impairment loss allowance											
Total(C) (I)-Net											
(C) (II)											
Loans outside India											
Less: Impairment loss allowance											
Total (C) (II)- Net											
Total C(I) and C(II)											

(E) Investments

Investments														
	(Current Year)							(Previous Year)						
Investments	Amortised cost	At Fair Value			Sub-Total	Others*	Total	Amortised cost	At Fair Value				Others*	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss					Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss	Sub-Total		
	(1)	(2)	(3)	(4)	(5)= (2)+ (3)+ (4)	(6)	(7)= (1)+ (5)+ (6)	(8)	(9)	(10)	(11)	(12) = (9) + (10) + (11)	(13)	(14) = (8) + (12) + (13)
Mutual funds														
Governm														

ent securities														
Other														
approved securities														
Debt securities														
Equity instruments														
Subsidiaries														
Associates														
Joint Ventures														
Others (specify)														
Total —														

Gross (A)														
(i) Investments outside India														
(ii) Investments in India														
Total (B)														
Total (A) to tally with (B)														
Less: Allowance for Impairment loss (C)														
Total — Net D= (A)-(C)														

* Other basis of measurement such as cost may be explained as a footnote

(F) Investment Property

A reconciliation of the gross and net carrying amounts of each class of property at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.

(G) Biological Assets other than bearer plants:

A reconciliation of the carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments shall be disclosed separately.

(H) Property, Plant and Equipment

(i) Classification shall be given as:

(a) Land

(b) Buildings

(c) Plant and Equipment

(d) Furniture and Fixtures

(e) Vehicles

(f) Office equipment

(g) Bearer Plants

(h) Others (specify nature)

(ii) Assets under lease shall be separately specified under each class of asset.

(iii)[3] A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.

[3] Amended pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

(I) Goodwill

A reconciliation of the gross and net carrying amount of goodwill at the beginning and end of the reporting period showing additions, impairments, disposals and other adjustments.

(J) Other Intangible assets

(i) Classification shall be given as:

- (a) Brands or trademarks
- (b) Computer software
- (c) Mastheads and publishing titles
- (d) Mining rights
- (e) Copyrights, patents, other intellectual property rights, services and operating rights
- (f) Recipes, formulae, models, designs and prototypes
- (g) Licenses and franchises
- (h) Others (specify nature)

(ii)[4] A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related amortization and impairment losses or reversals shall be disclosed separately.

(K) Payables

The following details relating to Micro, Small and Medium Enterprises shall be disclosed:

(a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;

(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;

[4] Amended pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

(c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;

(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and

(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Explanation.- The terms 'appointed day', 'buyer', 'enterprise', 'micro enterprise', 'small enterprise' and 'supplier', shall have the same meaning assigned to those under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006."

(KA)[5] For trade payables due for payment, following ageing schedule shall be given:

Trade Payables aging schedule

					(Amount in Rs.)
Particulars	Outstanding for following periods from due date of payment#				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME					
(ii) Others					
(iii) Disputed dues – MSME					
(iv)Disputed dues - Others					

similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately

[5] Inserted pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

(L) Debt Securities

	(Current Year)				(Previous Year)			
	At Amortised Cost	At Fair Value Through profit or loss	Designated at fair value through profit or loss	Total	At Amortised Cost	At Fair Value Through profit or loss	Designated at fair value through profit or loss	Total
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)	(7)	(8)=(5)+(6)+(7)
Liability component of compound financial instruments								
Others (Bonds/ Debenture etc.)								
Total (A)								
Debt securities in India								

Debt securities outside India								
Total (B) to tally with (A)								

(i) bonds or debentures (along with the rate of interest, and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from earliest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the first instalment becomes due;

(ii) particulars of any redeemed bonds or debentures which the NBFC has power to reissue shall be disclosed.

(M) Borrowings (Other than Debt Securities)

	(Current Year)				**(Previous Year)**			
	At Amortised Cost	**At fair value through profit or loss**	**Designated at fair value through profit or loss**	**Total**	**At Amortised Cost**	**At fair value through profit or loss**	**Designated at fair value through profit or loss**	**Total**
	(1)	**(2)**	**(3)**	**(4)=(1)+(2)+(3)**	**(1)**	**(2)**	**(3)**	**(4)=(1)+(2)+(3)**
(a)Term loans								

(i)from banks								
(ii)from other parties								
(b)Deferred payment liabilities								
(c)Loans from								
related parties								
(d) Finance lease obligations								
(e)Liability component of compound financial instruments								
(f)Loans repayable on demand								
(i)from banks								
(ii)from other parties								
(g) Other loans (specify nature)								
Total (A)								

Borrowings in India								
Borrowings outside India								
Total (B) to tally with (A)								

(i) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

(ii) Where borrowings have been guaranteed by Directors or others, the aggregate amount of such borrowings under each head shall be disclosed;

(iii) terms of repayment of term loans and other loans shall be stated; and

(iv) period and amount of default as on the balance sheet date in repayment of borrowings and interest shall be specified separately in each case.

(N) Deposits :-

	(Current Year)				(Previous Year)			
	At Amortised Cost	**At fair value through profit or loss**	**Designated at fair value through profit or loss**	**Total**	**At Amortised Cost**	**At fair value through profit or loss**	**Designated at fair value through profit or loss**	**Total**
	(1)	**(2)**	**(3)**	**(4)=(1)+(2) +(3)**	**(5)**	**(6)**	**(7)**	**(8)=(5)+(6) +(7)**
Deposits								
(i) Public Deposits								
(ii) From Banks								
(iii)From Others								
Total								

(O) Subordinated Liabilities

	(Current Year)				(Previous Year)			
	At Amortised Cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total	At Amortised Cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)	(7)	(8)=(5)+(6)+(7)
Perpetual Debt Instruments to the								
extent that do not qualify as equity								
Preference Shares other than those that qualify as Equity								
Others (specifying the nature and type of instrument issued)								
Total (A)								
Subordinated Liabilities in India								
Subordinated Liabilities outside India								
Total (B) to tally with (A)								

(P) Other Financial Liabilities (to be specified):

Other Financial liabilities shall be classified as-

(a) Interest accrued;

(b) Unpaid dividends;

(c) Application money received for allotment of securities to the extent refundable and interest accrued thereon;

(d) Unpaid matured deposits and interest accrued thereon;

(e) Unpaid matured debentures and interest accrued thereon;

(f) Margin money (to be specified); and

(g) Others (specify nature)

(Q) Provisions:

The amounts shall be classified as-

(a) Provision for employee benefits; and

(b) Others (specify nature)

(R) Other Non-financial liabilities (to be specified):

(a) Revenue received in advance;

(b) Other advances (Specify nature); and

(c) Others (specify nature).

(S) Equity Share Capital:

For each class of equity share capital:

(a) the number and amount of shares authorized;

(b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;

(c) par value per share;

(d) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;

(e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;

(f) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;

(g) shares in the company held by each shareholder holding more than five percent shares specifying the number of shares held;

(h) shares reserved for issue under options and contracts/commitments for the sale of shares or disinvestment, including the terms and amounts;

(i) For the period of five years immediately preceding the date at which the Balance Sheet is prepared:

- Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash;
- Aggregate number and class of shares allotted as fully paid up by way of bonus shares; and
- Aggregate number and class of shares bought back;

(j) terms of any securities convertible into equity shares issued along with the earliest date of conversion in descending order starting from the farthest such date;

(k) calls unpaid (showing aggregate value of calls unpaid by Directors and officers);

(l) forfeited shares (amount originally paid up)

(m) An NBFC shall disclose information that enables users of its financial statements to evaluate the NBFC's objectives, policies and processes for managing capital.

[6](n) A company shall disclose Shareholding of Promoters* as below:

Shares held by promoters at the end of the year				% Change during the year***
S. No	Promoter name	No. of Shares**	% of total shares	
Total				

*Promoter here means promoter as defined in the Companies Act, 2013.
** Details shall be given separately for each class of shares
*** percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.

(T) Other Equity

(i) Other Reserves shall be classified in the notes as:

(a) Capital Redemption Reserve;

(b) Debenture Redemption Reserve;

(c) Share Options Outstanding Account;

(d) Statutory Reserves; and

(e) Others — (specify the nature and purpose of each reserve and the amount in respect thereof); (Additions and deductions since last balance sheet to be shown under each of the specified heads)

(ii) Retained Earnings represents surplus i.e. balance of the relevant column in the Statement of Changes in Equity;

(iii) A reserve specifically represented by earmarked investments shall disclose the fact that it is so represented;

(iv) Debit balance of Statement of Profit and Loss shall be shown as a negative figure under the head ‘retained earnings‘. Similarly, the balance of ‘Other Equity‘, after adjusting negative balance of retained

[6] Inserted pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

earnings, if any, shall be shown under the head 'Other Equity' even if the resulting figure is in the negative;

(v) Under the sub-head 'Other Equity', disclosure shall be made for the nature and amount of each item; and

(vi) Under the sub-head 'Other Equity', disclosure shall be made for conditions or restrictions for distribution attached to statutory reserves.

(U) Contingent Liabilities and commitments (to the extent not provided for)

(i) Contingent Liabilities shall be classified as:

(a) Claims against the company not acknowledged as debt;

(b) Guarantees excluding financial guarantees; and

(c) Other money for which the company is contingently liable

(ii) Commitments shall be classified as:

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for;

(b) Uncalled liability on shares and other investments partly paid;

(c) Other commitments (specify nature).

(V) The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on irredeemable preference shares shall also be disclosed separately.

(W) Where in respect of an issue of securities made for a specific purpose the whole or part of amount has not been used for the specific purpose at the Balance Sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.

(WA)[7] Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.

[7] Inserted pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

(WB)[8] Additional Regulatory Information

(i) Title deeds of Immovable Properties not held in name of the Company

The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in following format and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter*/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the company **
PPE -	Land Building	-	-	-	-	**also indicate if in dispute
Investment property -	Land Building					
PPE retired from active use and held for disposal -	Land Building					
others						

#Relative here means relative as defined in the Companies Act, 2013.

*Promoter here means promoter as defined in the Companies Act, 2013.

[8] Inserted pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

(ii) The company shall disclose as to whether the fair value of investment property (as measured for disclosure purposes in the financial statements) is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.

(iii) Where the Company has revalued its **Property, Plant and Equipment** (including Right-of-Use Assets), the company shall disclose as to whether the revaluation is based on valuation by a Registered Valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.

(iv) Where the Company has revalued its Intangible assets, the company shall disclose as to whether the revaluation is based on valuation by a Registered Valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.

(v) Following disclosures shall be made where loans or advances in the nature of loans are granted to promoters, Directors, KMPs and the related parties (as defined under the Companies Act, 2013), either severally or jointly with any other person that are:

(a) repayable on demand or

(b) without specifying any terms or period of repayment

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoters		
Directors		
KMPs		
Related Parties		

(vi) Capital-Work-in Progress (CWIP)

(a) For Capital-work-in progress, following ageing schedule shall be given:

CWIP aging schedule

					(Amount in Rs.)
CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

*Total shall tally with CWIP amount in the balance sheet.

(b) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following **CWIP completion schedule** shall be given**:

				(Amount in Rs.)
CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

**Details of projects where activity has been suspended shall be given separately.

(vii) Intangible assets under development:

(a) For Intangible assets under development, following ageing schedule shall be given:

Intangible assets under development aging schedule

(Amount in Rs.)

Intangible assets under development	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

* Total shall tally with the amount of Intangible assets under development in the balance sheet.

(b) For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following **Intangible assets under development completion schedule** shall be given**:

(Amount in Rs.)				
Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

**Details of projects where activity has been suspended shall be given separately.

(viii) Details of Benami Property held

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, the company shall disclose the following:-

(a) Details of such property,

(b) Amount thereof,

(c) Details of Beneficiaries,

(d) If property is in the books, then reference to the item in the Balance Sheet,

(e) If property is not in the books, then the fact shall be stated with reasons,

(f) Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided.

(g) Nature of proceedings, status of same and company's view on same.

(ix) Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:-

(a) whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts,

(b) if not, summary of reconciliation and reasons of material discrepancies if any to be adequately disclosed.

(x) Wilful Defaulter*

Where a company is a declared wilful defaulter by any bank or financial institution or other lender, following details shall be given, namely:-

(a) date of declaration as wilful defaulter,

(b) details of defaults (amount and nature of defaults).

*wilful defaulter" here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Companies Act, 2013) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

(xi) Relationship with Struck off Companies

Where the company has any transactions with the companies struck off under section 248 of Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details, namely:-

Name of struck off Company	Nature of transactions with struck off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
	Investments in securities		
	Receivables		
	Payables		
	Shares held by stuck off company		
	Other outstanding balances (to be specified)		

(xii) Registration of charges or satisfaction with Registrar of Companies (ROC)

Where any charges or satisfaction yet to be registered with ROC beyond the statutory period, details and reasons thereof shall be disclosed.

(xiii) Compliance with number of layers of companies

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.

(xiv) Following Ratios shall be disclosed.

(a) Capital to risk-weighted assets ratio (CRAR)

(b) Tier I CRAR

(c) Tier II CRAR

(d) Liquidity Coverage Ratio

(xv) Compliance with approved Scheme(s) of Arrangements

Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the Company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company in accordance with the Scheme‘ and in accordance with accounting standards‘. Any deviation in this regard shall be explained.

(xvi) Utilisation of Borrowed funds and share premium:

(A) Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries; the company shall disclose the following:-

(I) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.

(II) date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries along with complete details of the ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).;

(B) Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following:-

(I) date and amount of fund received from Funding parties with complete details of each Funding party.

(II) date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries along with complete details of the other intermediaries' or ultimate beneficiaries.

(III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries

(IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).

(X) Other Classification related General Instructions

1. When an NBFC applies an accounting policy retrospectively or makes a restatement of items in the financial statements or when it reclassifies items in its financial statements, the NBFC shall attach to the Balance Sheet, a "Balance Sheet" as at the beginning of the earliest comparative period presented.

2. Share application money pending allotment shall be classified into equity or liability in accordance with relevant Indian Accounting Standards. Share application money to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable shall be separately shown under 'Other financial liabilities'.

3. Preference shares including premium received on issue, shall be classified and presented as 'Equity' or 'Liability' in accordance with the requirements of the relevant Indian Accounting Standards. Accordingly, the disclosure and presentation requirements in this regard applicable to the relevant class of equity or liability shall be applicable *mutatis mutandis* to the preference shares. For instance, plain vanilla redeemable preference shares shall be classified and presented under 'liabilities' as 'borrowings' or 'subordinated liability'

and the disclosure requirements in this regard applicable to such borrowings shall be applicable *mutatis mutandis* to redeemable preference shares.

4. Compound financial instruments such as convertible debentures, where split into equity and liability components, as per the requirements of the relevant Indian Accounting Standards, shall be classified and presented under the relevant heads in ''Liabilities and Equity'.

5. Regulatory Deferral Account Balances shall be presented in the Balance Sheet in accordance with the relevant Indian Accounting Standards.

PART II — STATEMENT OF PROFIT AND LOSS

Name of the Non-Banking Financial Company.........

Statement of Profit and Loss for the period ended ....

				(Rupees in.....)
	Particulars	**Note No.**	**Figures for the current reporting period**	**Figures for the previous reporting period**
	Revenue from operations			
(i)	Interest Income			
(ii)	Dividend Income			
(iii)	Rental Income			
(iv)	Fees and commission Income			
(v)	Net gain on fair value changes			
(vi)	Net gain on de-recognition of financial instruments under amortised cost category			
(vii)	Sale of products(including Excise Duty)			
(viii)	Sale of services			
(ix)	Others (to be specified)			
(I)	**Total Revenue from operations**			
(II)	Other Income (to be specified)			
(III)	**Total Income (I+II)**			
	Expenses			
(i)	Finance Costs			

(ii)	Fees and commission expense			
(iii)	Net loss on fair value changes			
(iv)	Net loss on de-recognition of financial instruments under amortised cost category			
(v)	Impairment on financial instruments			
(vi)	Cost of materials consumed			
(vii)	Purchases of Stock-in-trade			
(viii)	Changes in Inventories of finished goods, stock-in-trade and work-in-progress			
(ix)	Employee Benefits Expenses			
(x)	Depreciation, amortization and impairment			
(xi)	Others expenses (to be specified)			
(IV)	**Total Expenses (IV)**			
(V)	Profit / (loss) before exceptional items and tax (III-			
(VI)	Exceptional items			
(VII)	Profit/(loss) before tax (V -VI)			
(VIII)	Tax Expense:			
	(1) Current Tax			
	(2) Deferred Tax			
(IX)	Profit / (loss) for the			

	period from continuing operations(VII-VIII)			
(X)	Profit/(loss) from discontinued operations			
(XI)	Tax Expense of discontinued operations			
(XII)	Profit/(loss) from discontinued operations (After tax) (X-XI)			
(XIII)	**Profit/(loss) for the period (IX+XII)**			
(XIV)	**Other Comprehensive Income**			
	(A) (i) Items that will not be reclassified to profit or loss (specify items and amounts)			
	(ii) Income tax relating to items that will not be reclassified to profit or loss			
	Subtotal (A)			
	(B) (i) Items that will be reclassified to profit or loss (specify items and amounts)			
	(ii) Income tax relating to items that will be reclassified to profit or loss			
	Subtotal (B)			
	Other Comprehensive Income (A + B)			
(XV)	**Total Comprehensive Income for the period**			

	(XIII+XIV) (Comprising Profit (Loss) and other Comprehensive Income for the period)			
(XVI)	**Earnings per equity share (for continuing operations)**			
	Basic (Rs.)			
	Diluted (Rs.)			
(XVII)	**Earnings per equity share (for discontinued operations)**			
	Basic (Rs.)			
	Diluted (Rs.)			
(XVIII)	**Earnings per equity share (for continuing and discontinued operations)**			
	Basic (Rs.)			
	Diluted (Rs.)			

Notes: See accompanying notes to the financial statements

GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

1. The provisions of this Part shall apply to the income and expenditure account, in like manner as they apply to a Statement of Profit and Loss.
2. The Statement of Profit and Loss shall include:
   (A) Profit or loss for the period;
   (B) Other Comprehensive Income for the period.
   The sum of (A) and (B) above is 'Total Comprehensive Income'.

3. **Interest Income**

Particulars	(Current Year)			(Previous Year)		
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	Interest Income on Financial Assets classified at fair value through profit or loss	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	Interest Income on Financial Assets classified at fair value through profit or loss
Interest on Loans						
Interest income from investments						
Interest on deposits with Banks						
Other interest Income						
Total						

4. **Net gain/ (loss) on fair value changes***

Particulars	**(Current Year)**	**(Previous Year)**
(A) Net gain/ (loss) on financial instruments at fair value through profit or loss		
(i) On trading portfolio		
- Investments		
- Derivatives		

- Others		
(ii) On financial instruments designated at fair value through profit or loss		
(B) Others (to be specified)		
Total Net gain/(loss) on fair value changes (C)		
Fair Value changes:		
-Realised		
-Unrealised		
Total Net gain/(loss) on fair value changes(D) to tally with (C)		

*Fair value changes in this schedule are other than those arising on account of accrued interest income/expense.

5. Other Income (to be specified)

Particulars	**(Current Year)**	**(Previous Year)**
Net gain/(loss) on ineffective portion of hedges		
Net gain/(loss) on de-recognition of property, plant and equipment		
Net gain or loss on foreign currency transaction and translation (other than considered as finance cost)(to be specified)		
Others (to be specified)*		
Total		

* Any item under the subhead 'Others' which exceeds one per cent of the total income to be presented separately.

6. **Finance Costs**

Particulars	(Current Year)		(Previous Year)	
	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost
Interest on deposits				
Interest on borrowings				
Interest on debt securities				
Interest on subordinated liabilities				
Other interest expense				
Total				

7. **Employee Benefits Expenses**

Particulars	(Current Year)	(Previous Year)
Salaries and wages		
Contribution to provident and other funds		
Share Based Payments to employees		
Staff welfare expenses		
Others (to be specified)		
Total		

8. Impairment on financial instruments

Particulars	(Current Year)		(Previous Year)	
	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost
Loans				
Investments				
Others (to be specified)				
Total				

9. Other expenses (to be specified)

Particulars	(Current Year)	(Previous Year)
Rent, taxes and energy costs		
Repairs and maintenance		
Communication Costs		
Printing and stationery		
Advertisement and publicity		
Director's fees, allowances and expenses		
Auditor's fees and expenses		
Legal and Professional charges		
Insurance		
Other expenditure		
Total		

* Any item under the subhead 'Other expenditure' which exceeds one per cent of the total income to be presented separately.

10. Other Comprehensive Income shall be classified into-

(A) Items that will not be reclassified to profit or loss

- i. Changes in revaluation surplus;
- ii. Remeasurements of the defined benefit plans;
- iii. Equity Instruments through Other Comprehensive Income;
- iv. Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss;
- v. Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss; and
- vi. Others (specify nature).

(B) Items that will be reclassified to profit or loss;

- i. Exchange differences in translating the financial statements of a foreign operation;
- ii. Debt Instruments through Other Comprehensive Income;
- iii. The effective portion of gains and loss on hedging instruments in a cash flow hedge;
- iv. Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent to be classified into profit or loss; and
- v. Others (specify nature).

11. Additional Information: An NBFC shall disclose by way of notes, additional information regarding aggregate expenditure and income on the following items:

- i. Depreciation, amortisation and impairment
- ii. payments to the auditor as (a) auditor, (b) for taxation matters, (c) for company law matters, (d) for other services, (e) for reimbursement of expenses;
- iii. in case of NBFCs covered under section 135, amount of expenditure incurred on corporate social responsibility activities; and
- iv. details of items of exceptional nature

v[9]. Undisclosed income

The Company shall give details of any transactions not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme. Also, state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

vi. Corporate Social Responsibility (CSR)

Where the company (NBFC) covered under section 135 of the Companies Act, the following shall be disclosed with regard to CSR activities:-

(a) amount required to be spent by the company during the year,

(b) amount of expenditure incurred,

(c) shortfall at the end of the year,

(d) total of previous years shortfall,

(e) reason for shortfall,

(f) nature of CSR activities,

(g) details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,

(h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately.

vii. Details of Crypto Currency or Virtual Currency

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:-

(a) profit or loss on transactions involving Crypto currency or Virtual Currency,

[9] Inserted pursuant to MCA Notification G.S.R. 207(E) dated 24th March 2021

(b) amount of currency held as at the reporting date,

(c) deposits or advances from any person for the purpose of trading or investing in Crypto Currency or virtual currency.

PART III- GENERAL INSTRUCTIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Where a Non-Banking Financial Company (NBFC) is required to prepare Consolidated Financial Statements, i.e., consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of profit and loss, the NBFC shall mutatis mutandis follow the requirements of this Schedule as applicable to an NBFC in the preparation of balance sheet, statement of changes in equity and statement of profit and loss. However, where the consolidated financial statements contains elements pertaining to NBFCs and other than NBFCs, mixed basis of presentation may be followed for consolidated financial statements where both kinds of operations are significant. In addition, the consolidated financial statements shall disclose the information as per the requirements specified in the applicable Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules 2015, including the following, namely:-

(i) Profit or loss attributable to 'non-controlling interest' and to 'owners of the parent' in the statement of profit and loss shall be presented as allocation for the period. Further, 'total comprehensive income' for the period attributable to 'non-controlling interest' and to 'owners of the parent' shall be presented in the statement of profit and loss as allocation for the period. The aforesaid disclosures for 'total comprehensive income' shall also be made in the statement of changes in equity. In addition to the disclosure requirements in the Indian Accounting Standards, the aforesaid disclosures shall also be made in respect of 'other comprehensive income'.

(ii) 'Non-controlling interests' in the Balance Sheet and in the Statement of Changes in Equity, within equity, shall be presented separately from the equity of the 'owners of the parent'.

(iii) Investments accounted for using the equity method.

(2) In Consolidated Financial Statements, the following shall be disclosed by way of additional information:

Name of the entity in the Group	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total comprehensive income	Amount
Parent								
Subsidiaries								
Indian								
1								
2								
3								
.								
.								
Foreign								
1								
2								
3								
.								

.								
Non-controlling Interests in all subsidiaries Associates (Investment as per the equity method)								
Indian								
1								
2								
3								
.								
.								
Foreign								
1.								
2								
3								
.								
.								
Joint Ventures(as								

per the equity method)								
Indian								
1.								
2								
3								
.								
.								
Foreign								
1.								
2								
3								
.								
.								
Total								

(3) All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.

(4) An entity shall disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reasons of not consolidating.

Annexure B

Illustrative list of disclosures required under the Companies Act 2013

1. Section 69 - Transfer of certain sums to capital redemption reserve account.

Where a company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to the capital redemption reserve account and details of such transfer shall be disclosed in the balance sheet.

2. Section 129 - Financial Statements

(*5*) Without prejudice to sub-section (*1*), where the Financial Statements of a company do not comply with the accounting standards referred to in sub-section (*1*), the company shall disclose in its Financial Statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

3. Section 131 - Voluntary revision of Financial Statements or Board's report

(*1*) If it appears to the directors of a company that—

(*a*) the Financial Statements of the company; or

(*b*) the report of the Board, do not comply with the provisions of section 129 or section 134 they may prepare revised Financial Statements or a revised report in respect of any of the three preceding financial years after obtaining approval of the Tribunal on an application made by the company in such form and manner as may be prescribed and a copy of the order passed by the Tribunal shall be filed with the Registrar:

Provided that the Tribunal shall give notice to the Central Government and the Income tax authorities and shall take into consideration the representations, if any, made by that Government or the authorities before passing any order under this section:

Provided further that such revised Financial Statements or report shall not be prepared or filed more than once in a financial year:

Provided also that the detailed reasons for revision of such Financial Statements or report shall also be disclosed in the Board's report in the relevant financial year in which such revision is being made.

4. Section 135 - Corporate Social Responsibility

(2) The Board's report under sub-section (*3*) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

5. Section 182 - Prohibitions and restrictions regarding political contributions

(*3*) Every company shall disclose in its profit and loss account the total amount contributed by it under this section during the financial year to which the account relates.

6. Section 183 - Power of Board and other persons to make contributions to national defence fund, etc.

(*2*) Every company shall disclose in its profit and loss account the total amount or amounts contributed by it to the Fund referred to in sub-section (*1*) during the financial year to which the amount relates.

7. Section 186 - Loan and investment by company

(*4*) The company shall disclose to the members in the Financial Statements the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.

8. Section 272 - Petition for winding up

(*4*) The Registrar shall be entitled to present a petition for winding up under subsection (*1*) on any of the grounds specified in sub-section (*1*) of section 271, except on the grounds specified in clause (*b*), clause (*d*) or clause (*g*) of that sub-section:

Provided that the Registrar shall not present a petition on the ground that the company is unable to pay its debts unless it appears to him either from the financial condition of the company as disclosed in its balance sheet or from the report of an inspector appointed under section 210 that the company is unable to pay its debts:

Provided further that the Registrar shall obtain the previous sanction of the Central Government to the presentation of a petition:

Provided also that the Central Government shall not accord its sanction unless the company has been given a reasonable opportunity of making representations.

Annexure C

List of Indian Accounting Standards notified as on date:

Ind AS	Description
Ind AS 101	First-time Adoption of Indian Accounting Standards
Ind AS 102	Share-based Payment
Ind AS 103	Business Combinations
Ind AS 104	Insurance Contracts
Ind AS 105	Non-current Assets Held for Sale and Discontinued Operations
Ind AS 106	Exploration for and Evaluation of Mineral Resources
Ind AS 107	Financial Instruments: Disclosures
Ind AS 108	Operating Segments
Ind AS 109	Financial Instruments
Ind AS 110	Consolidated Financial Statements
Ind AS 111	Joint Arrangements
Ind AS 112	Disclosure of Interests in Other Entities
Ind AS 113	Fair Value Measurement
Ind AS 114	Regulatory Deferral Accounts
Ind AS 115	Revenue from Contracts with Customers
Ind AS 1	Presentation of Financial Statements
Ind AS 2	Inventories
Ind AS 7	Statement of Cash Flows
Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors
Ind AS 10	Events after the Reporting Period
Ind AS 11	Construction Contracts
Ind AS 12	Income Taxes
Ind AS 16	Property, Plant and Equipment

Ind AS 17	Leases
Ind AS 19	Employee Benefits
Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance
Ind AS 21	The Effects of Changes in Foreign Exchange Rates
Ind AS 23	Borrowing Costs
Ind AS 24	Related Party Disclosures
Ind AS 27	Separate Financial Statements
Ind AS 28	Investments in Associates and Joint Ventures
Ind AS 29	Financial Reporting in Hyperinflationary Economies
Ind AS 32	Financial Instruments: Presentation
Ind AS 33	Earnings per Share
Ind AS 34	Interim Financial Reporting
Ind AS 36	Impairment of Assets
Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets
Ind AS 38	Intangible Assets
Ind AS 40	Investment Property
Ind AS 41	Agriculture

Annexure D

General Circular No. 39/2014 dated: 14th October, 2014

To

All Regional Directors,

All registrars of Companies,

All Stakeholders

Subject: Clarification on matters relating to Consolidated Financial Statements.

Sir,

Government has received representations from stakeholders seeking clarifications on the manner of presentation of notes in Consolidated Financial Statements (CFS) to be prepared under Schedule III to the Act. These representations have been examined in consultation with the Institute of Chartered Accountants of India (ICAI) and it is clarified that Schedule III to the Act read with the applicable Accounting Standards does not envisage that a company while preparing its CFS merely repeats the disclosures made by it under stand-alone accounts being consolidated. In the CFS, the company would need to give all disclosures relevant for CFS only.

2. This issues with the approval of the competent authority

Glossary

Act	The Companies Act, 2013
Ind AS Schedule III	Division II to Ind AS Schedule III
Ind AS	Indian Accounting Standards
Companies Ind AS Rules	Companies Ind AS Rules, 2015 as amended from time to time
Ind AS Framework	Conceptual Framework for Financial Reporting under Indian Accounting Standards
Non Ind AS	Accounting Standards
Companies AS Rules	Companies Accounting Standards Rules, 2006 as amended from time to time
FVTPL	Fair Value through Profit or Loss
FVOCI	Fair Value through other Comprehensive Income
SEBI	Securities and Exchange Board of India
SEBI (LODR)	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
GAAP	Generally Accepted Accounting Principles
MSMED	The Micro, Small and Medium Enterprises Development Act, 2006
CENVAT	Central Value Added Tax
GST	Goods and Services Tax
MAT	Minimum Alternate Tax
CFS / SFS	Consolidated Financial Statements / Standalone Financial Statements